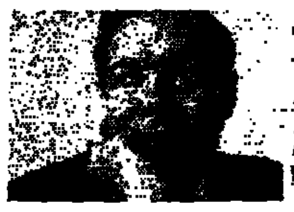
The World Cup
It's the spectacle that counts
24-page magazine

R&D scoreboard
The world's top research spenders
Pages 12-13



Thinking hats
Edward De Bono's parallel philosophy
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TOMORROW'S
Weekend FT
Climbing Mount Fuji: a religious experience

FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY JUNE 17 1994 — D8523A

Greek deputies vote for trial of ex-premier

The Greek parliament voted to put former conservative prime minister Constantine Mitsotakis on trial for his alleged role in a telephone tapping scandal. Deputies voted by 163 to six to lift his parliamentary immunity so he can be tried on charges of instigating a scheme to tap dozens of political opponents and journalists.

IBM forms new division: The US computer company is forming a division to create services ranging from interactive television to personal messaging systems for the "information superhighway". Page 19

Peugeot Citroën lost an appeal at the European Court of Justice against an earlier ruling that new car sales by independent traders across national borders to specified customers were legal. Page 18

Bridge given go-ahead: Swedish environment minister Olof Johansson quit after the government said it would go ahead with plans to build a controversial bridge and tunnel link to Denmark. Johansson had argued the bridge would upset the Baltic Sea's ecology. Page 18

Green light for Transrapid: Germany's parliament passed a bill clearing the way for the construction of the Transrapid high-speed rail link between Berlin and Hamburg. The "whispering arrow" will hover at speeds of up to 250mph in a magnetic field above a monorail.

Boost for research: British companies boosted their spending on research and development by 9 per cent to £7.1bn ($10.65bn) last year, a rate of increase well ahead of the UK's main international competitors. For the first time since the R&D Scoreboard was launched four years ago, companies increased their R&D spending by more than they raised dividend payouts to shareholders. R&D Scoreboard, Pages 12-13

CS Holdings chairman Rainer Gut said Creditanstalt would remain "a proud and independent Austrian bank with its own identity" if the Swiss bank succeeded in winning control of the Austrian banking flagship. Page 19

Schneider chief hailed after jail release:

Shareholders of electrical engineering group Schneider greeted company chairman Didier Pineau-Valencienne with a round of applause after his release from Brussels' Forest prison. Mr Pineau-Valencienne, who faces charges of fraud relating to two Belgian subsidiaries, was released last week on bail of FFr2.5m ($430,000). Page 18

Israel frees prisoners: Israel set free two former leaders of the Hamas Islamic resistance movement after they signed a pledged renouncing violence, according to other prisoners released at the same time.

Book price-fixing 'illegal': British and Irish book publishers should not be allowed to continue their price-fixing deal known as the net book agreement, a legal adviser to the European Court said. The publishers are appealing against a 1988 European Commission ruling that the accord is illegal. Page 9

Lib Dems challenge poll: The UK's Liberal Democratic party is seeking to have the result of last week's European parliamentary election in Devon and Plymouth East declared void. They believe voters were misled into voting for a candidate who called himself a Literal Democrat. Page 9

Eurotunnel's share price closed 14p lower at 303p in London yesterday, raising the likelihood that the underwriting syndicate may have to take up a sizeable slice of one of the UK's largest ever rights issues. Page 19; Details, Page 27

UK move into French magazines: British media group Emap has agreed spend FFr914m ($160m) on four acquisitions which will make it France's third-biggest consumer magazine publisher. Page 20

More US bases to go: The US is to end or cut operations at 27 more military installations in Europe, most of them in Germany. The latest changes will affect 5,655 people.

Fine wines: A single cellar of fine wines fetched a record of almost £1m ($1.52m) at auctioneer Christie's in London. The cellar was made up of 18,000 bottles.

Bonn to impose M-way charges on all trucks

By Michael Lindemann in Bonn, Ronald Van de Krol in Amsterdam and Charles Batchelor

The German parliament yesterday voted to impose levies on all domestic and foreign trucks using the country's motorways from next year, although domestic hauliers will be partially compensated by a cut in vehicle registration fees.

The decision – which follows a decade of debate in Europe over whether charges aimed at foreign truckers are discriminatory – comes as several other European governments are also planning to introduce levies to contribute to the upkeep of road networks.

In Germany, only 10 of the 600 parliamentary deputies voted against the bill in the Bundestag, the lower house of parliament. The bill proposes an annual charge of DM1,500 ($898) for three-axle trucks and a DM2,500 charge for four and five-axle trucks.

In Britian, the Road Haulage Association said new motorway charges would create "yet another expense for the British haulier". The Netherlands also plans to introduce truck levies from January 1, although the legislation has yet to pass through parliament.

Mr Matthias Wissman, the German transport minister, said his country's levies would raise around DM609m a year, excluding the costs of managing the system, estimated at DM91m. Germany's upper house has yet to vote on the proposal but its passage is taken for granted by the government.

Dutch road hauliers, who handle around 25 per cent of all cross-border road freight shipments in Europe, are expected to seek compensation for the extra costs. One possibility is a reduction in vehicle tax, in line with Germany's policy for its road haulage companies.

The UK Freight Transport Association had argued for a clearing-house system between European governments to reimburse countries whose roads suffered wear by foreign based hauliers.

Belgium, Luxembourg and Denmark also intend to introduce truck charges from January 1.

Germany's original plan was to charge only foreign trucks for the use of German motorways while exempting domestic hauliers, but this was blocked by European authorities on the grounds that it was discriminatory.

Mr Wissman said the truck levies would bring German hauliers into line with other countries, including Italy, France and Switzerland, which have for years charged motorway tolls deemed to make German hauliers uncompetitive.

Bundesbank report offers rare praise for Bonn finance policy

German economy starts to head out of recession

By Christopher Parkes in Frankfurt

The German government's finance policy is on the right path and there are increasing signs that the recession is over, a confident Bundesbank reported yesterday.

The bank's rare praise for Bonn's policies was accompanied, however, by strict instructions to reduce spending and borrowing. "The growth rate in public spending should be kept substantially below the nominal rate of growth in gross national product for an extended period," it said.

The warning came as the Bundesbank acknowledged that the economy had moved out of recession. "The recessionary tendencies in the west German economy appear to have been overcome," it said in its monthly report, adding a strong hint that further interest rate cuts are unlikely in the short term. The comments helped the D-Mark to rise against the US dollar, Japanese yen and British pound yesterday.

Further evidence of German economic recovery came from Mr Karl Heinrich Oppenländer, president of the Munich-based Ifo economics institute. At his institute's annual meeting yesterday, he said the west German economy had finally turned the corner, and growth was accelerating in the east. He said the institute now expected pan-German growth this year to be 1.5-2 per cent, and higher in 1995.

In a review of recent developments, the Bundesbank report says state borrowing is still driving M3 growth, while growth in consumer credit has slowed to an annual rate of 5 per cent. Significantly, though, lending to companies is lower, but borrowing by manufacturing industry has increased for the first time for a year.

Capacity utilisation has also risen, further supporting the view that the recession has been overcome. The Bundesbank report, repeating a recent statement by its president, Mr Hans Tietmeyer, noted that the "rather strong" cut in the discount rate in mid May (a 0.5 point reduction to 4.5 per cent) has cleared the interest rate horizon for some time.

The bank now has to wait to see how investors react to the new interest rate environment. Fears about the course of long-term European rates have been blamed for the recent turbulence in international bond markets.

The Bundesbank also said that economic growth and rising tax revenues next year might help to cut the public-sector deficit by up to DM60bn ($36bn) – equivalent to 2 per cent of gross domestic product.

For this year, the deficit is expected to be unchanged from 1993.

The government was reminded that its aim should be to reduce "extraordinarily high" taxes and welfare contributions, which will equal 45 per cent of GDP in 1995. The so-called solidarity tax surcharge, to be reintroduced next year, will yield an estimated DM26bn.

In spite of the stick-and-carrot tone, the bank was markedly more optimistic than in the past year on most fiscal, economic and financial prospects, except for short-term interest rates. Its rate policy is in a "particularly strained" situation, the report says.

According to the bank, it is important that funds now parked in short-term instruments, which is seen as distorting money supply data, should be invested in long-term deposits, outside the scope of the M3 supply measure, which is the bank's main indicator of potential inflation.

Currencies, World stocks, Section II

Silvio Berlusconi (front) made his first trip to Bonn as prime minister of Italy yesterday, when he met Chancellor Helmut Kohl for talks in the German capital Report, Page 2 Picture: Reuters

Swissair ponders Sabena stake to gain EU hub

By Paul Betts in London and David Gardner in Brussels

Swissair is discussing a strategic alliance with Sabena that might see the Swiss airline acquire a large minority stake in the Belgian national carrier.

Swissair confirmed yesterday that it was holding talks with Sabena as well as with other European airlines, but declined to comment on a report that it was considering buying a 49.5 per cent stake in the Belgian carrier.

Sabena also confirmed talks with Swissair but added that it was also holding discussions with American Airlines over a possible link-up. Last week American confirmed to Sabena an undisclosed co-operation offer.

A Sabena official drew a distinction between talks and negotiations and said Sabena was talking "to a lot of people".

But Belgian government officials described as "completely plausible" the report of the possible acquisition by Swissair of a minority stake in Sabena.

They added that the Belgian government would not object to a Swissair minority stake as long as the Belgian state maintained majority control of its airline. Sabena is currently 61.8 per cent state-controlled.

A large minority stake in Sabena would finally give Swissair a base in the European Union to take advantage of the EU single aviation market.

Swissair's biggest handicap is its lack of free access to the liberalised EU aviation market, especially since the airline appears to have lost any hope of overcoming it through an air transport agreement between the Swiss government and the EU.

The Swiss airline also indicated that it intended to expand its airline partnerships after the collapse last year of the so-called "Alcazar" plan to merge Swissair, KLM Royal Dutch Airlines, Scandinavian Airlines System and Austrian Airlines.

"Several European carriers are involved in the discussions, including Sabena," Swissair said yesterday.

A report published today in Cash, the Zurich financial magazine, refers to a detailed document setting out the strategic importance for Swissair to acquire a stake in Sabena.

The report said Swissair intended to acquire a 49.5 per cent stake in Sabena by buying Air France's 37.5 per cent holding and a further 12 per cent stake in Sabena held by four financial companies controlled by the Belgian government.

Swissair said the article was based on one of a number of papers prepared by McKinsey, the business consultants. "It is not Swissair policy to comment publicly on any proposals or recommendations which such documents may contain," it added.

Air France said it had no comment on the talks between Sabena and Swissair. It added that its original agreement with Sabena left open the possibility for another airline to acquire a minority stake in the Belgian carrier.

Although Sabena has become increasingly unhappy with Air France as a minority shareholder, the financially troubled French carrier may be reluctant at this stage to shed its stake, airline industry officials said yesterday.

The sale of its Sabena stake risked complicating its efforts to win European Commission approval for its proposed FFr20bn ($3.5bn) French government capital injection, they added.

Russia joins China to fight sanctions against N Korea

By Our Foreign Staff

'Powderkeg' could cause fourth conflict ....Page 6
Editorial Comment ....Page 17

A US proposal to impose phased sanctions against North Korea in an effort to persuade it to allow international inspection of its nuclear facilities ran into trouble yesterday when Russia joined China in objecting to the move.

However, tension on the Korean peninsula eased slightly when former US president Jimmy Carter, visiting Pyongyang in an attempt to find a solution to the crisis, said North Korea had agreed to allow inspectors from the International Atomic Energy Agency to remain at its nuclear installation.

Last week North Korea said it was withdrawing from the agency, which suspects the north of using its reactor to supply a secret weapons programme.

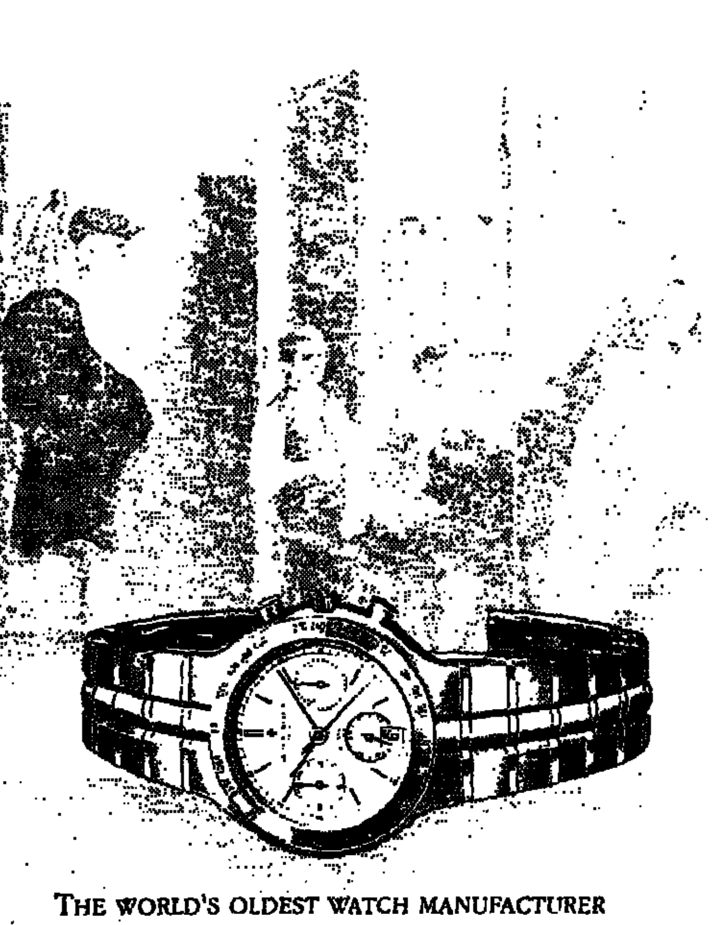
The resistance to sanctions expressed by Moscow and Beijing, both among the five permanent members of the United Nations Security Council, threatens to dilute attempts to increase pressure on Pyongyang. However, neither country said it would veto the sanctions plans outlined by Ms Madeleine Albright, US ambassador to the UN.

China, a traditional ally of North Korea, had long signalled its wariness of sanctions. Mr Shen Guofang, foreign ministry spokesman, said in Beijing: "China in principle does not subscribe to the involvement of the Security Council in the nuclear issue on the Korean Peninsula or the resort to sanctions to solve it."

Mr Andrei Kozyrev, the Russian foreign minister, caused consternation when he made clear his lack of sympathy for the US move because Washington had, he alleged, failed to consult Russia in drafting the proposal.

He said: "I think tabling the draft unilaterally will seriously complicate for Russia consideration of the document. In any case we will not support a set of sanctions worked out without

Continued on Page 18



STOCK MARKET INDICES

FT-SE 100:	3039.1	(-15.7)
Yield	4.08	
FT-SE Eurotrack 100	1365.76	(-20.65)
FT-SE-A All-Share	1518.30	(-0.5%)
Nikkei	21367.47	(+84.51)
New York lunchtime		
Dow Jones Ind Ave	3804.05	(+13.64)
S&P Composite	461.09	(+0.39)

US LUNCHTIME RATES

Federal Funds:	4¼%
3-mo Treas Bills: Yld	4.211%
Long Bond	86 7/16
Yield	7.382%

LONDON MONEY

3-mo Interbank	5¼%	(same)
Liffe long gilt future:	Jun 101 [illegible]	(Jun 102 [illegible])

NORTH SEA OIL (Argus)

Brent 15-day (August)	$16.84	(16.805)

Gold

New York Comex (Aug)	$387.5	(389.0)
London	$385.3	(386.75)

STERLING

New York lunchtime:		
$	1.51985	
London:		
$	1.5201	(1.5203)
DM	2.4885	(2.4862)
FFr	8.4644	(8.4781)
SFr	2.0848	(2.0881)
Y	157.874	(156.206)
£ Index	80.0	(same)

DOLLAR

New York lunchtime:		
DM	1.63155	
FFr	5.56485	
SFr	1.37155	
Y	103.4	
London:		
DM	1.6319	(1.6354)
FFr	5.5685	(5.5768)
SFr	1.3715	(1.3735)
Y	103.335	(102.75)
$ Index	64.9	(64.8)

Tokyo close Y 102.87

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KS1.50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
France	FFr9.50	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L30000
						UAE	Dh12.00

CONTENTS

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Company's currency option contracts worth DM10bn-DM14bn

Balsam derivatives deals revealed

By David Waller in Frankfurt

Balsam, the German sports-flooring manufacturer which has filed for protection from creditors following the arrest of its entire board on fraud charges last week, has entered into currency options contracts worth DM10bn-DM14bn ($6bn-$8.4bn), it emerged yesterday.

The sheer scale of transactions dwarfs Balsam's modest turnover of DM460m, highlighting the risks associated with trading in derivatives at a time of intense international debate over how such financial instruments should be regulated.

Swaps, options and other more complicated products are known as derivatives because their value is "derived" from more conventional assets.

Bankers insisted yesterday that the losses they faced as a result of "open positions" with Balsam were limited to a maximum of DM400m, a fraction of the gross value. But this comes on top of the DM1.60bn banks stand to lose as a result of the collapse of Balsam and of Procedo, Germany's largest factoring company, which has emerged as the biggest victim of the alleged fraud.

The revelations raise the question of whether bankers should have become suspicious about the volume of derivatives business long before the company filed for protection.

"Banks have been remiss in assessing the relationship between the volume of derivatives business undertaken and the real needs of a relatively small company," commented a banker at the Frankfurt arm of a US institution yesterday. "They should have put a stop to it earlier on."

Separately, Citicorp, the largest foreign bank in Germany, confirmed yesterday that it stopped conducting options business with Balsam in the final three months of last year because the company "no longer fitted our customer profile".

The case draws parallels with problems at Metallgesellschaft, one of Germany's largest companies which came to the brink of bankruptcy earlier this year after running up $1.4bn (£933m) of losses in the oil derivatives business.

But bankers pointed out yesterday that, unlike Metallgesellschaft, Balsam was in general successful in its trading in derivatives – the state prosecutor in Bielefeld said last week that the profits from this area of business had for several years disguised losses in the company's mainstream sports-flooring activities.

The directors of Balsam are accused of forging documentation to support applications for factoring agreements with Procedo, under which Procedo would advance cash to Balsam and assume responsibility for collecting the outstanding receivables.

The cash advanced by Procedo to Balsam was used to finance the latter's currency options business. It is also alleged that the value of the receivables was fraudulently inflated.

"The case illustrates how little transparency there is in the case of over-the counter derivative products [products tailor-made for individual corporate clients]," said Mr Adolf Rosenstock, chief economist at the Industrial Bank of Japan in Frankfurt. "It is a jungle out there."

The Bundesbank, which is be watching the development of the derivatives markets in Germany with a critical eye, refused to comment on the case yesterday. But Balsam's experience is likely to add weight to calls from the Bundesbank for a new listing of the risk facing banks which enter derivatives agreements with corporate customers.

Rocard seeks to steal a march on his would-be challengers

By David Buchan in Paris

Out of the depths of his Euro-election misery, Mr Michel Rocard has played a bold card.

He has asked the French Socialist party's national council for a vote of confidence on Sunday, just when his leadership is under great criticism for gaining the party only 14.5 per cent of the Euro-vote but before any serious rival can mobilise against him. Only Mr Jack Lang, former education and culture minister, has expressed open interest in wresting the party's leadership and presidential candidacy from him.

But his continued leadership now rests more on sufferance than enthusiasm. According to a party official cited by *Libération* newspaper yesterday, Mr Rocard's likely role is to continue "as sexton of the elephants' graveyard" to give way as herd leader to Mr Jacques Delors when the latter finally quits the European Commission in December.

The Euro-election result confounded predictions that the fall in the Socialist party's fortunes had finally bottomed out with its respectable 22 per cent share of the local government election vote in March. It was clear that the proportional system used for Euro-elections would not favour a so-called mainstream party like the Socialists; but the governing conservative coalition was hurt by dissident rival lists in exactly the same way.

However, traditional infighting between the Socialist party's clans to get on the list of Euro-candidates was compounded by the number of ex-deputies seeking employment after losing their national seats in 1993 and by the decision to fill half the slots with women. After this squabbling start, the campaign got no better, with Mr Rocard seeming to pay more court to the Paris intellectuals who ran on an "arms for Bosnia" platform than to youth and workers whose support was scooped up by Mr Bernard Tapie.

The latter's power base is built on the Mouvement des Radicaux de Gauche (MRG), which has traditionally followed the Socialists almost blindly. But buoyed by their 12 per cent in the Euro-poll and 13 seats in Strasbourg, the MRG threatens to be less obedient than in the past, while negotiations with it are made problematic for the Socialists by all the business controversies surrounding Mr Tapie.

Casting, as ever, a shadow over Mr Rocard is the enigmatic President François Mitterrand. The latter has denied any conspiracy to undermine Mr Rocard by promoting Mr Mr Tapie. But, during the campaign, he praised the "dynamism" of Mr Tapie, briefly urban affairs minister in one of his governments. And other close Mitterrand associates loudly criticised Mr Rocard for his policy shifts on Bosnia.

All this comes against the background of the long and well-documented antipathy between Mr Mitterrand and Mr Rocard. They have separate political roots – Mr Rocard once led the separate Parti Socialist Unifié party that the Socialist party absorbed in 1974 – and different ideological leanings. Mr Rocard earned Mr Mitterrand's ire for criticising as "archaic" the latter's joint programme with the Communists and, then later, the extent of his nationalisations, though the president eventually gave him three years as prime minister .

Whenever it really mattered, however, Mr Rocard was loyal to Mr Mitterrand. Indeed it is the example of the president's achievement in pulling himself up from poor poll standings to win the Elysée in 1981 that still gives Mr Rocard some hope for 1995. The difference is that this time the loyalty may not be reciprocated.

Mr Michel Rocard: called on his Socialist party for a vote of confidence

Brussels shelves pension deregulation

By Emma Tucker in Luxembourg

The European Commission yesterday shelved ambitious proposals to deregulate the management of pension funds after member states could not agree on how far national governments should be allowed to dictate the terms of investment.

EU members could now face Brussels sanctions if domestic rules governing pension funds are found to break treaty rules on free movement of capital and services.

The decision to withdraw the proposal was taken at a meeting of EU ministers in Luxembourg. The directive had aimed to allow the free flow of pension fund investment across the European Union, together with freedom of operation for pension fund managers.

Mr Raniero Vanni d'Archirafi, single market commissioner, said there was no point pursuing a directive that neither satisfied the Commission nor commanded the support of a qualified majority of states.

The three-year deadlock stems from fears that the Commission proposal is too liberal. Most EU countries argued that they should be able to insist that a large part of a fund's assets be invested in local currency – the so called currency matching rules.

Only Britain, Ireland and the Netherlands – which impose few restrictions on their pension funds and consequently dominate the overseas investment market – backed the plan to open up the European market, currently valued at Ecu1,000bn (£770bn).

Opponents said they wanted a directive that would only allow 20 per cent of a pension fund's assets to be invested in foreign currencies. The Commission insisted on a maximum threshold of 40 per cent, supported somewhat reluctantly by the British, Dutch and Irish.

Earlier, Mr d'Archirafi called for renewed efforts to get European legislation on to statute books. He produced detailed tables of areas with the most glaring holes, declaring Brussels was "on the warpath".

A proposal aimed at giving the Commission a clearer idea of how often countries blocked goods on sale in another member state, on the grounds that they did not meet national standards, made little headway. The French and Germans *argued that the proposed system* – requesting authorities to notify the Commission whenever they rejected goods or services - would be ineffective.

But Mr Neil Hamilton, UK minister for corporate affairs, said: "The Commission needs a crowbar to prise open markets from which our goods are excluded on spurious grounds of safety, quality and so on. Too often, small businesses just give up the unequal struggle as complaints procedures are too legalistic, bureaucratic and time consuming."

Ministers agreed to re-examine the scope of the proposal. The Commission hopes it will be adopted at the next internal market council meeting in October.

A European Commission proposal to crack down on the sale of counterfeit goods from non-EU countries was approved by ministers in Luxembourg yesterday. It will increase the power of customs authorities to stop fake goods entering the EU, writes Emma Tucker.

Under customs procedures introduced in the Union four years ago, a trademark owner can obtain a temporary "freeze" on the import of a consignment of counterfeit goods and can then take legal action. The new proposal will allow customs authorities themselves to decide whether an application from a trademark holder is valid. It also extends the scope of the legislation to cover pirated goods and design rights. The proposal should come into effect on July 1 next year, provided it is approved by the European parliament.

According to the Commission, trade in fake goods has risen sharply in the past few years and could account for 5 per cent of total world trade.

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Faster French growth forecast

By John Ridding in Paris

French economic growth should accelerate in the second quarter of this year and long-term interest rates, which have risen sharply over recent weeks, should stabilise, Mr Edmond Alphandéry, the economy minister, said yesterday.

His remarks coincided with a further easing in France's key short-term intervention rate, which the central bank reduced by one tenth of a percentage point to 5.2 per cent. The reduction is in line with the bank's strategy of gradually easing monetary policy to support economic recovery.

Further evidence of an upturn was provided by a rise in gross domestic product. Insee, the national statistics institute, reported that GDP grew by 0.5 per cent in the first quarter of 1994, compared with the last three months of 1993.

The Economy Ministry said that the first quarter growth, which followed a flat final quarter last year, showed the recovery from recession was firmly under way.

"We expect economic growth to continue to strengthen," said one economic official, citing surveys of business sentiment among industrialists.

According to Insee, the GDP rise was achieved despite a decline in energy consumption, due to mild weather, which is expected to reverse in the second quarter. Growth was supported, however, by specific stimulatory measures, such as those aimed at reviving the car market.

Private economists agreed that the French economy has moved into a recovery phase, but expressed caution about the rate of growth. "Mr Alphandéry's projection of an acceleration from 0.5 per cent in the first quarter may be a bit optimistic," said Mr Jean-Francois Mercier, economist at Salomon Bros in London.

The first-quarter figures, he said, were boosted by a sharp reduction in stocks, which declined by FFr5.4bn in the period, but there was still little evidence of a substantial pick-up in investment.

Some economist also expressed caution about the rise in long-term interest rates, which have climbed to about 7 per cent from some 5 per cent at the beginning of the year.

Mr Alphandéry played down the risks to economic growth, however, saying that inflation remained under control and that interest rates would stabilise.

"I am optimistic", he said, "I think these movements [in long term interest rates] will automatically calm down."

Kohl cautious in welcome for Berlusconi

By Quentin Peel in Bonn

Chancellor Helmut Kohl yesterday gave Mr Silvio Berlusconi, Italy's prime minister, a cautious initial welcome to the inner circle of European heads of government.

On the Italian's first official foreign visit since emerging victorious from national and European elections, Mr Berlusconi was accorded full military honours, and promises of continuing close co-operation.

But he apparently failed to persuade the chancellor to back his conservative Forza Italia movement in a move to join the European People's party – the Christian Democrat group – in the new European parliament. Instead, he said his party would form its own independent movement for the time being.

On the other hand, there was no word of criticism about the presence of members of the neo-fascist Italian Social Movement (MSI) in Mr Berlusconi's government, and Mr Kohl was anxious to express his desire for continuity in their close relations.

The two men discussed both the forthcoming summit of the European Union on Corfu, and the Group of Seven world economic summit in Naples.

They failed to agree on a common candidate to be the next president of the European Commission, the Italian prime minister indicated later.

The official visit gave Mr Berlusconi his first big opportunity to launch a public relations defence of his new government before an international audience, and he roundly denounced any suggestion that "fascists" were members of it. "I cannot allow anyone to make a statement so far removed from the truth," he said. There was "absolutely nothing undemocratic" about any of his ministers.

Yet it is the presence of those MSI members of the National Alliance in the government which has clearly caused concern in Mr Kohl's Christian Democratic Union, as well as the opposition Social Democratic party.

The chancellor insists that the question of Forza Italia joining the Christian Democrats in the European parliament does not arise, because they have not applied to do so. There is little secret, however, that a majority of the party *would like to*, although a minority favours the alternative liberal group.

In a joint statement issued after the talks, the two leaders pledged their determination to continue the "traditional close co-operation" between their governments, and in particular "intensively" during the coming German EU presidency.

East 'needs farm price stability'

By David Gardner in Brussels

The European Union urgently needs to set up a system to help support stable farm prices in east and central Europe, and lay the foundations of an agricultural policy that will enable these post-Communist democracies to join the EU.

This is the main conclusion of an independent report released yesterday, commissioned by Brussels from Mr Henri Nallet, a former French agriculture minister, and Mr Adrian van Stolk, a Dutch authority on trade and agriculture.

Papers from a closed seminar on eastern Europe, which the Commission held in March, highlight the 30 per cent drop in farm output between 1988 and 1992 in Hungary, Poland, the Czech and Slovak republics, Bulgaria and Romania.

"*The risk is that agriculture* will quickly become the central point of friction with our eastern partners," according to the paper presented by Mr René Steichen, EU agriculture commissioner. "By one means or another," *he says*, "a mechanism has to be found to sustain certain primary products at near world price levels."

The Nallet/van Stolk report warns that the fall in east European output, because of falling prices leading to lack of investment and access to credit, is too dangerous to ignore.

The report calls for modest price supports to buttress production and eliminate the huge swings in food prices caused by speculators. It proposes an Ecu62 ($71.92) price support for wheat – from which other support prices would be derived – against the Ecu100 per tonne price the EU expects to reach in 1996.

Kravchuk turns to old guard in election race

By Jill Barshay in Kiev

President Leonid Kravchuk of *Ukraine yesterday won parliamentary* approval for a stalwart of the former communist élite to become prime minister, in what appeared to be an effort to draw support from leftist and eastern voters for his re-election bid later this month.

The appointment of Mr Vitaly Masol, who advocates a state-controlled economy and closer ties with Russia, was backed by 199 of the 335 deputies, with 24 opposing him. Many market reformers and nationalists abstained from participating in "the lurch back to the communist system", as one put it.

Mr Masol served as prime minister of Soviet Ukraine from 1987 to 1990. He was forced out of office in protests that delivered the first blow to the Communist party's absolute rule in Ukraine.

It is unclear what Mr Masol, as a powerful prime minister, would bring Ukraine. In his bid for parliamentary approval he astonished delegates by saying Ukraine "is a state with market reforms" and that "we cannot act by traditional methods".

Last month he urged the restoration of strict state controls and condemned Ukraine's leadership for "liberalising prices ... exiting the rouble zone ... [and] cutting credits to industry".

Mr Masol's return to the premiership reflects Mr Kravchuk's vulnerability in the presidential vote on June 26, where he is trailing Mr Leonid Kuchma, an industrialist who is popular in the Russian-oriented eastern Ukraine.

Mr Kravchuk can bank on votes from western Ukraine, where a strong body of nationalists back him. Ukrainian nationalists fought against Mr Kravchuk in the 1991 election but now see Mr Kuchma's pro-Russian position as a threat to independence.

The president's position in the west was also helped by the signing of an accord with the European Union on Tuesday.

However, Mr Kravchuk is desperately seeking support in the more densely populated east, where the mood is increasingly pro-Russian and pro-communist.

On Monday he adopted the eastern call to make Russian an official language along with Ukrainian.

'Play along' with money laundering, OECD says

By David Buchan

Banks should "play along" with money-launderers, in co-operation with police, to maximise the chances of catching them and seizing their assets, officials of the Organisation for Economic Co-operation and Development said yesterday.

The officials were commenting on the latest annual report by the OECD's Financial Action Task Force on money laundering. This is the practice of legitimising ill-gotten gains from drug-trafficking and other forms of crime by investing them in legitimate assets or businesses, and concealing the money's origin by shifting it through several institutions.

The FATF's chairman, Mr John Gieve, a senior UK Treasury official, said some progress had been made in the past year in the fight against money-laundering.

A key recommendation of the task force is that banks report suspicions, either to the police or to specialist bodies in some countries, such as the Tracfin unit in the French Finance Ministry.

"We obviously can't force a financial institution to accept a transaction that involves suspect money," said an official of the FATF. "But law enforcement authorities now realise the benefits of letting money-launderers deposit their money and tracking them and it.

"The problem with turning the money away is that this alerts the money-launderers that they have been detected, and they are capable of learning from their mistakes."

At a separate conference organised yesterday by the Paris Criminology Institute, Mr André Levy-Lang, president of the Paribas investment bank said his bank had co-operated with Tracfin "in several cases".

"When we alert Tracfin, they sometimes tell us to accept the money and then help us run the case," Mr Levy-Lang said. Banque Nationale de Paris said that it had recently co-operated with authorities on "sting" operations.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl- Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363 Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

EUROPEAN NEWS DIGEST

Russian banks urge restraint

Russia's biggest banking lobby yesterday appealed to western banks to refrain in their "own interests" from seeking to enter the Russian market. In an open letter to the international banking community, the Association of Russian Banks asked western banks for a self-imposed 18-month "moratorium" on opening new subsidiaries in Russia. It said this was necessary to give domestic banks more time to develop, as well as to pre-empt a possible political backlash against economic reforms.

The association, whose opinions are not shared by all Russian bankers, was responding to President Boris Yeltsin's decree last Friday which lifted a retroactive ban on deposit taking from Russian customers by western banks which had already obtained full Russian banking licences. The decree also said that in future the Russian central bank would only give licences to banks from countries which gave equal treatment to Russian banks seeking to open offices and subsidiaries abroad.

But Citibank and Chase Manhattan of the US, and Turkey's Yapi ve Kredi and Ziraat, both of which plan joint ventures with Russian banks, will still be affected by the earlier ban. This is because the decree only lifted the ban for banks from countries with bilateral treaties encouraging investment ties with Russia, and the US and Turkish treaties have yet to be ratified by the Russian parliament. The restrictions – confining western banking subsidiaries to an "offshore" status – were imposed in response to protectionist pressure from Russian banks. *Leyla Boulton, Moscow*

Bundestag scraps pricing curb

Germany's Bundestag, or lower house of parliament, yesterday sought to introduce more competition by scrapping a 1933 law preventing retailers from reducing prices by more than 3 per cent outside the summer and winter sales. But its efforts are likely to be defeated when the draft law goes to the Bundesrat, or upper house. Attempts to retain the law, passionately defended by small retailers on the grounds that they would be forced out of business, and even by some large chains because it would mean increased competition, were defeated by 314 to 262, with 26 abstentions.

In theory retailers can now set their own reductions, which might mean that the German consumer will be given a choice on prices outside sale periods. But in practice, yesterday's vote was a pyrrhic victory for Mr Günter Rexrodt, the economics minister, who spearheaded the campaign for a reform of the law, as the Social Democrat-dominated Bundesrat is likely to reject it. *Judy Dempsey, Berlin*

Moscow warned of 'turmoil'

Senior Russian and western economists yesterday warned of economic and political turmoil in Russia later this year as the country's monetary and credit policies become "unsustainable". A conference at the Stockholm Institute of East European Economics produced a sobering agreement that fragile improvements in Russian finances, which have seen a monthly inflation rate of 6.8 per cent in May, are now in danger. Lack of real institutional reform and pressing demands from military, industrial and agricultural lobbies threaten to bring back high inflation and with it a nationalist resurgence. Figures produced for the conference on the budget, which is under discussion in the Russian parliament, show that tax income for the first quarter of the present year is below the target level by more than 10 per cent of gross national product, while expenditure has also been slashed by a similar figure. This has meant deep cuts in programmes and long delays in wage payments, contributing to increasing unrest in the military. *John Lloyd, Stockholm*

Turkey shifts sell-off stance

Economic turbulence has forced Turkey to shift its privatisation efforts from international share offers to direct equity sales to industry, according to a senior government official. Economic uncertainty – with a halving in the lira's value against the US dollar since the start of the year – would make it difficult to attract institutional buyers, Mr Tezcan Yaramanci, chairman of the privatisation administration, said. But he predicted the government would return to the market once the current IMF programme took effect. Mr Yaramanci confirmed bids would be invited next week for a 51 per cent stake in the Erdemir steel company. He added that buyers would be sought for strategic stakes in Petrol Ofisi, the oil products retail concern, Tupras, the oil refinery company, and for a minority share in Turk Hava Yollari, the national airline. *John Murray Brown, Ankara*

Scuffles mar Romanian protest

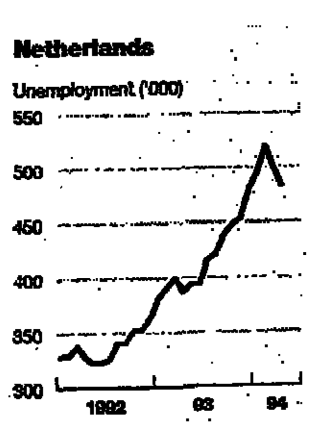
Romanian government offices remained under guard last night after scuffles earlier in the day between anti-government protesters and riot police. Witnesses said several hundred riot police attempted to remove about 1,000 protesters from the central Victory Square, where trade unions have been staging a peaceful sit-in over low pay and slow reform. Tension had increased because there were at times more troops than demonstrators, the Alfa Cartel trade union, organisers of the rally, said. Alfa, which represents more than 1m mainly industrial workers, said police had also blocked roads into Bucharest to prevent supporters from other parts of the country joining the protest. The government, which last night resumed talks with union leaders, said the demonstrators had illegally blocked the square and their actions were destabilising. *Virginia Marsh, Bucharest*

Talks on Bosnia map

Negotiators from the US, Russia, Britain, France and Germany conferred in London yesterday in a fresh effort to draw up a map that would divide Bosnia among the warring parties. A plan to give 49 per cent of Bosnia to the Serbs and 51 per cent to the new Croat-Moslem confederation is resented by both sides. However, diplomats said that if the current mediation effort bore fruit, the plan would be presented to the parties on a take-it-or-leave-it basis. Mr Alain Juppé, French foreign minister, said in Istanbul last Friday that he hoped a Bosnian map would be ready within 10 days. *Foreign Staff*

ECONOMIC WATCH

Dutch unemployment falls



Source: FT Graphite

Unemployment in the Netherlands fell to an average 483,000 people in March-May, the second successive decline since the jobless total peaked at 520,000 in January-March. The central statistical office said the figures indicated the rise in joblessness had stabilised or been reversed. Although the number of registered unemployed rose by 96,000 in March-May from a year ago, this is still a slowdown compared with year-on-year figures published so far in 1994. The latest figures are unadjusted for seasonal factors but, even so, the drop was steeper than would normally be expected. *Ronald van de Krol, Amsterdam.*

■ The number of unemployed in Poland fell in May for the third consecutive month – by 47,100 to 2.8m people or 15.5 per cent of the country's workforce. *Christopher Bobinski, Warsaw*

■ The Danish National Bank has cut its securities repurchase rate to 5.60 per cent from 5.70 per cent, effective from July 1.

Flagging spirits test new union supremo

Germany's trade union federation badly needs a confidence boost, writes David Goodhart

Mr Dieter Schulte, the steel industry union boss who has just been elected to lead the German Trade Union Federation (DGB), inherits an organisation badly in need of a boost to its confidence.

On the face of it this seems odd. At its congress this week in Berlin the entire political establishment, including Chancellor Helmut Kohl, came to pay homage to the principle of social partnership and the important role of organised labour in national political life.

Just how integrated it is into that political life was evident on Wednesday night. In one hall Mr Rudolf Sharping, leader of the Social Democrats, gave an address to the majority of delegates, while elsewhere a group of Christian Democratic trade unionists was addressed by several ministers from Bonn. Even the Greens threw a little party.

But the DGB is not only a political force. Its 16 industry-based unions still have more than 10m members, representing a higher proportion of the workforce than in almost any other large industrial country. And only a few months ago the unions were being widely praised for their restraint in this year's pay round.

So why does the 54-year-old Mr Schulte inherit such an anxious organisation? German unions *are* still central to the political and industrial life of the country – as this year's wage round underlined – but they fear they are beginning to lose their critical mass.

Membership, although still high, has fallen by 1.5m over the past two years. That is mainly because of job losses, especially in east Germany, but the unions are not recruiting many new members in the growing service sector and remain unattractive to women and young people.

The trends have contributed to the rapid decline of unions elsewhere in Europe and Mr Schulte and his colleagues know that unless they take action it could be them next. In his address to the congress he talked of the dangers of becoming "dinosaurs" and of the need to "abandon dreams of a lost utopia".

Mr Ulf Fink, a Christian Democrat DGB official, even warned congress of the French example, where union membership has fallen to 8 per cent of the workforce.

After his speech Mr Schulte said the "French option" would be avoided in Germany and added that there were some special factors behind the recent decline in union standing, "including the disappointment that many of our new members in east Germany felt when we could not prevent their jobs being lost".


Dieter Schulte, celebrating his election as DGB head, warned of need to "abandon dreams" AP

The other key challenge to the unions is the growing interest of the government in labour market deregulation as an aid to creating more jobs, and the emergence of a two-tier labour market with an increasingly large group of workers not covered by centralised collective bargaining.

The unions are happy to accept some aspects of the new flexibility. They are keen to reduce non-wage labour costs and are not opposed to an expansion in part-time work, although they do want to improve the social protection of part-timers.

Mr Schulte stressed the unions' favoured means of job-creation: reducing working time, with some corresponding reduction in pay without undermining existing hourly pay rates. "Ten years ago it would have been unthinkable to talk in this way", he said. That may be true, but so far only a handful of companies have followed the lead of Volkswagen, the car group, in cutting hours and pay to create or retain jobs.

The more insidious threat to the unions' centralised collective agreements comes from the growing number of companies leaving the industry associations which enforce them, or are drawing up special deals with their own company works councils to undermine the national unions.

Mrs Ursula Engelen-Kefer, Mr Schulte's deputy, says the flight from collective agreements seems to have been stopped by the moderate wage deal earlier this year. But Mr Charly Schübel, an official of the engineering union I G Metall in Schweinfurt, says an increasing number of small metal industry companies in his area are paying skilled workers only DM8 or DM9 (£3.60) an hour – about half the national rate.

Given the continuing solidity of most German labour market regulations it is tempting to ask whether the decline of the unions will make much difference.

"It would make a big difference," says Mrs Engelen-Kefer, "We are part of the political and social structure but our arguments are only listened to because of our strength on the ground".

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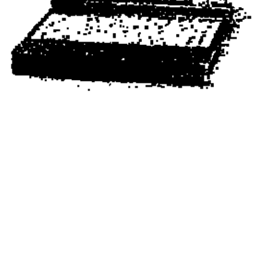

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Land inequality ignites Brazil politics

Left-wing Workers party hopes rural policy will help win it votes, writes Angus Foster

Three miles off the road to Caruaru, an agricultural town in Brazil's north-eastern state of Pernambuco, is a settlement of rickety huts made of bamboo frames and black polythene bags. About 20 families have been living in the clearing for a year, wondering when their dream will come true.

Although they have water, there is little food and the children lack basic health or education facilities. A band of patrolling gunmen, employed by the local landlord to intimidate the families and deter visitors, keeps a nervous watch over the settlement.

The families are part of Brazil's *Movimento Sem Terra*, or Movement of the Landless, which claims that 5m Brazilians need land. It wants a far-reaching redistribution of land to the poor and uses occupations of private property, such as that under way near Caruaru, to pressure the government to act. "I just want a little piece of land as a means to work and to survive," says Mrs Cicera Monteiro.

The battle for land and rural reform has claimed more than 500 lives in the last 10 years. This seems perverse in Brazil, one of the largest countries in the world, with areas of low population density. But it also has one of the most unequal land distributions in Latin America. Nearly 80 per cent of the land is owned by 10 per cent of the farmers. Among the poor, most have plots of less than 25 acres, sometimes only enough for subsistence.

This disparity continues to force people off the land, usually through bankruptcy after bad harvests, and into the already overburdened cities.

Rural reform is a key pledge which Mr Luiz Inácio Lula da Silva, leader of the left-wing Workers party (PT), hopes will help win him the presidential election in October.

Land inequality dates from colonial days but has been compounded until recently by government assistance to large-scale farmers, such as tax breaks and infrastructure projects. During the 25 years to 1987, mainly under military governments, 25m acres of land were transferred – by sale or donation – to just 45 companies.

To redress this balance, Brazil's 1988 constitution established rules for the appropriation of land that was not being used productively. But some of the legislation has still not been passed. Successive government promises to accelerate land transfer schemes have been frustrated by budget problems, a slow bureaucracy and a judicial system which tends to back property owners.

Two poverty-stricken Brazilians asleep on concrete steps

In Pernambuco, where matters are critical because of the decline in its sugar cane industry, about 90,000 acres have been transfered, enough to settle nearly 3,000 families. But Mr Jaime Amorim of the Sem Terra claims there are 350,000 families still needing land in the state and that about 7.4m acres are required to settle them.

The Sem Terra's claim that nationwide 5m people want land is impossible to verify, but probably exaggerated. Even if they have doubled their estimates for greater impact, this still suggests there are as many as 1m rural families who need land, and a further 1m in the cities who would return to the land if it became available.

These are roughly the estimates with which the PT is working. The party believes a proper rural reform programme would take 15 years and would involve land reallocation as well as education and reform of rural credit and insurance systems which discriminate against smaller farmers.

"It also needs proper training and preparation of people too, otherwise they will fail and simply desert the land again," says Mr José Graziano da Silva, a PT agricultural adviser.

Such a programme would be expensive. It usually costs the equivalent of between $5,000 (£3,300) and $9,000 to settle each family. The total reform bill could therefore exceed $10bn, more than the annual health budget. The PT argues that urban jobs cost much more to generate, while migrants to the cities are forced to live in slums.

Given the size and costs of rural reform, analysts question whether an incoming PT government would be able to meet its likely target of settling between 350,000 and 400,000 families in four years. The plans are also criticised as idealistic. Brazil's rural population has fallen from 75 per cent to 25 per cent of the total since the second world war, reflecting the attraction of urban services as much as rural problems.

The Sem Terra, which is closely linked to the PT, is also an electoral liability. Brazil's mainly right-of-centre media say the movement's invasions are examples of left-wing radicalism and contempt for the law.

For the poor victims of Brazil's economic mismanagement, rational arguments about the feasibility of the PT's pledges make little sense. In São Paulo state, a large occupation near the town of Getulina was recently broken up by the police under court order. The group, which earlier this year numbered some 2,300 families, is camped alongside a road hoping the courts will rule in their favour.

Francisco, a father of three, joined the group when no longer able to pay rent on the family's room in the city of São Paulo. "I hope the court decides soon, but we'll stay, whatever happens," he said. "There's nothing else to do."

New currency details start to take shape

By Angus Foster in São Paulo

Brazil's financial authorities have started to finalise details for the July 1 introduction of the country's new currency, the real, which is designed to tackle chronic inflation.

According to Finance Ministry officials, the real will be secured by two "anchors", designed to keep inflation out of the new currency, which will be backed by the country's foreign exchange reserves of about $40bn. First, the real will be linked at parity to the US dollar for an "indeterminate period". Second, release of the currency will be partly tied to pre-set money supply targets.

These anchors are designed to give the government slightly more policy flexibility than previous economic stabilisation plans in the region, such as Argentina's. Argentina's so-called convertibility plan tied the Argentine currency explicitly to parity with the dollar, and forbade the central bank to issue local currency unless backed by dollar reserves. Changing the exchange rate requires legislation. Brazil is more complicated, officials say, because it faces presidential elections later this year.

The present administration is trying to build into the plan policy alternatives for whichever of the two main candidates wins the elections. Brazil's economy is also more reliant on industrial exports, which would soon become uncompetitive if the currency became overvalued.

According to private sector analysts, the link with the US dollar is likely to be kept in place until the end of the year. If the current election front runner, the left-wing leader Mr Luís Inácio Lula da Silva, retains his lead in the opinion polls and worried investors start to take capital out of the country, central bank officials say there are sufficient reserves to spend $1bn a month defending the currency for at least two years.

Many details, including the money supply targets themselves, will be decided over the coming weeks. According to some estimates, the monetary base of about $3bn will treble.

WORLD CUP

America braced for the big kick-off

Jurek Martin in Washington on how the hosts are preparing for the feast

Sneakily, a bit like a sliding tackle on a wet pitch, the World Cup of soccer is catching up on America. Scrub that metaphor. In all nine cities where the first round of the tournament is being played, the temperature this week has exceeded 90°F, often with humidity to match.

So let us say that, sneakily, like a cold beer in Death Valley, soccer is seeking to refresh America for the first time. Starting today in Soldier Field in Chicago and the Cotton Bowl in Dallas, 24 national teams will play 52 matches over a span of exactly one month, culminating on July 17 in the Rose Bowl in Los Angeles.

An estimated 3.6m tickets will be sold for those actually going to games, and the small ads offering them now run to several columns a day. The global television audience may amount to a cumulative 30bn plus, with perhaps 2bn watching the final, rather more than the 135m who caught last year's American football Super Bowl on the box.

Every game will be televised in the US by either ABC, one of the established networks, or ESPN, the sports channel, without commercial interruption while the action flows on the field, but with half-time reserved more for the pitchmen than the players.

It will be big business – not surprising given that the profit that organiser Peter Ueberroth made for the 1984 Los Angeles Olympics has served as such an example to Alan Rothenberg, chairman of the World Cup Organising Committee.

Foreign visitors may spend more than $4bn of foreign currency; commercial sponsors are paying up to $20m each for the rights to use the World Cup logo in their marketing and promotion. The approved credit card is MasterCard, the candy Snickers, the film Fuji, the cereal Wheaties, and so on.

So much for the prospective numbers. So much, too, for global interest in the World Cup, which can be taken for granted. The big question, as yet unanswerable, is how the tournament plays in its host country, where, according to one poll last week, two-thirds do not know that the tournament is being played here at all (and that is an improvement on two months ago).

There are objective circumstances working in soccer's favour. It is already entrenched in suburbia and among immigrant communities. When the US team played Mexico recently in Los Angeles, more than 90,000 turned up, most cheering for the Mexicans; a recent appearance by the Greek side drew over 50,000. The Italy-Ireland match tomorrow at Giants Stadium, just across the Hudson River, is already being portrayed in terms of New York's great old ethnic rivalry.

Second, America is a naturally hospitable and curious country always on the look-out for something new. You can get big audiences here for the Japanese tea ceremony or beach volleyball. The national presumption will be that soccer, understood to be the world's most popular game, must have something to offer, only to be disabused if this year's World Cup is as cynically played and tactically sterile as that four years ago (sorry, Ireland).

Third, the competing American sports are approaching a mid-summer lull. Ice hockey's Stanley Cup was settled on Tuesday night, with the New York Rangers taking the championship for the first time since the 13th century. Basketball's season will come to an end within a week, with either Patrick Ewing's New York Knicks or Hakeem Olajuwon's Houston Rockets on top.

Baseball is in its mid-season passage, eternally fascinating but not yet at a decisive stage. It may never reach that stage, since its season is now threatened by yet another dispute between owners and players. Golf, in the shape of the US Open, will be over and done with this weekend. Exhibition football, American-style, does not start until August. Soccer has the sporting coast remarkably clear to strut its stuff.

Nor has the media been negligent in trying to explain to its readers and viewers what soccer is all about. Every self-respecting newspaper and magazine has produced special sections stuffed with illustrations about the game's basics – how to kick, head and trap a ball – its terminology and its rules.

Cobi Jones, the US team's highly-regarded forward, signing autographs for young fans Picture: Reuter

Profiles of teams and stars, all largely unfamiliar to Americans, have been extensive. It is now no mystery that Italy's Roberto Baggio sports a ponytail and that, even in his dotage, Roger Milla of Cameroon can still swivel his hips on scoring.

The only soccer player even halfway towards a household word is, of course, Pele of Brazil, and memories have been dutifully jogged by film of his great goals (and of Gordon Banks's immortal save from him) in the 1970 World Cup.

Not all the explanatory efforts have been accurate, but the effort has been conspicuous. Only lacking so far has been much interest on the part of the heavyweight sporting columnists and TV and radio pundits.

One who did chip in was George Vecsey in last Sunday's special 16-page section in *The New York Times*, and he had reservations. "I have come to the conclusion that this fervent nationalism is what makes Americans uncomfortable with soccer. Americans are not really put off by the business of not using the hands or by the business of low scores . . but are by the business of language, the business of old national ties, the business of passion."

Good points, but debatable nonetheless. For example, this World Cup has a new Adidas ball with a glossy surface enabling it to travel farther and faster. It would not have been introduced if fear of scoreless draws was not palpable, nor would referees have been instructed to interpret more leniently the offside rule.

It is also hard to argue against the proposition that American interest will rise or fall according to the performance of the US team. The risk is that it becomes the first host country to fall at the first-round hurdle. The potential is that it is in a less tough group (Romania, Colombia and Switzerland).

There is no doubt that Bora Milutinovic, the peripatetic Serbian-born coach who has played in five countries and managed in four, is in the process of producing a better US side. It knocked off England 2-0 last summer, Mexico 1-0 just last month and only lost 4-3 to Germany in another summer exhibition.

But its record against other World Cup finalists is a modest two wins, two draws and seven defeats, and it has been handicapped by the difficulty of fielding its widely scattered best players together at one time.

The US soccer stake extends beyond the World Cup itself. There are plans afoot for a new professional league to replace the one effectively killed by Pele's retirement 15 years ago from the New York Cosmos. To succeed, it will need the participation of young American stars like Claudio Reyna and Alexi Lalas, who will otherwise be drawn inexorably to European competition.

Ultimately, it is up to soccer to sell its finest wares to America. For those from northern climes, that will not be so easy in this sort of heat. Worse, beer sales have been banned at stadiums after half-time.

Germany seeks re-run of opening game victory

Coach Berti Vogts wants World Cup champions Germany to start the way they did four years ago: with an eye-catching victory. In today's opening game, Germany play Bolivia in Chicago.

Until 1990, the Germans usually struggled in their opening World Cup matches, before asserting themselves. But four years ago in Italy they kicked-off with a fear-instilling 4-1 win against Yugoslavia, and stayed unbeaten.

"We want to gain that momentum in the opening game that will take us through the rest of the tournament," said Vogts.

A world television audience of about 1bn, plus a sell-out crowd of 63,117 at Soldier Field, will hope that new rules make the Germany-Bolivia game exciting. In recent World Cups, the opening games were often dull and cautious.

Hoping to galvanise the tournament after a lowest-ever average of 2.21 goals per game in 1990, Fifa, soccer's governing body, decided that this time a victory in the first round – involving round-robin group play – would be worth three points.

Germany's other Group C rivals are Spain and South Korea, who clash later tonight in Dallas.

The Germans hope to become the first team to win four World Cups.

Bolivia are making their first appearance in World Cup finals since 1950. They are not well-regarded. However, Vogts is cautious: "It will be tough to score a goal against Bolivia. They have a good defence. They beat Brazil [and] they knocked out Uruguay, a great soccer nation."

Bolivia's main doubt concerned star forward Marco Etcheverry, who has not played a game since breaking his left leg. Coach Xavier Azkargorta says he will make a late decision on whether to field his most influential player.

Today's games

GROUP C

Germany vs Bolivia
Chicago, 14.00 (20:00 BST)
Spain vs South Korea
Dallas, 18.30 (00:30 BST)

Injury doubt over Swedish defender

Defender Jan Eriksson re-injured his right thigh in practice in mid-week, and could miss Sweden's Group B opener against Cameroon on Sunday. Eriksson, a central defender, was injured after a sprint when warming up for a workout, and was taken to hospital for examination.

Sweden's other Group B opponents are Russia and Brazil.

Governor counts on his citizens

Welcoming world soccer leaders to Chicago, the governor of Illinois, Jim Edgar, was not so much unimpressed with the World Cup as under-awed by his own authority.

Speaking at the opening session of the 49th congress of Fifa, soccer's governing body, Edgar welcomed the delegates on behalf of "the 11½ people of Illinois."

The state has about 11.5m residents.

Odds-on for a betting record

Even though England, Wales and Scotland failed to qualify, the World Cup finals may break all records for soccer betting in Britain. The Coral bookmaking firm reckoned yesterday that betting on the month-long competition could top £30m.

Ireland have been well supported – down from 50-1 to 28-1 – and so have outsiders Nigeria, sliding from 150-1 to 33-1 in recent days.

Coral lists Brazil as 3-1 favourites, followed by Germany (7-2), the Netherlands and Italy (6-1), Colombia (9-1) and Argentina (10-1).

Correction
The Italy-Ireland match is in New York tomorrow, June 18, and not in San Francisco on June 20, as stated in error in a fixtures list on page 19 of the FT guide, *World Cup Football*, which appears with some editions today. Giuseppe Signori plays for Italy, not Brazil as stated in one edition.

The smooth running of today's ceremony and the rest of World Cup USA 94 will be thanks to sophisticated client/server systems designed by EDS. The organisation behind the organisation.

Remember the trouble you had organising your wife's birthday party? Try organising the opening ceremony of the World Cup.

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EDS

Changing the guard on Europe

Jurek Martin and George Graham on a State Department shake-up

For a man who had been eased out his job only 24 hours before, Stephen Oxman was, by local standards, surprisingly devoid of rancour, only gently suggesting that some reports of his removal were "overplayed".

Indeed he could easily have cancelled the interview, arranged before it was announced that he was to be replaced as US assistant secretary of state for European and Canadian affairs by Mr Richard Holbrooke, currently ambassador in Bonn.

The contrast between the two could not be more stark. Mr Oxman is a low-key former investment banker, Rhodes Scholar and friend of both the president and secretary of state. "A really nice man," one European ambassador said, "but I never thought he understood us and he was never very assertive."

Mr Holbrooke is a gregarious Washington insider, never short of an opinion and well connected to the younger foreign policy turks such as Mr Strobe Talbott and Mr Sandy Berger, the number twos at the State Department and National Security Council. His expertise is Asian and he has only been in Bonn for eight months, which means his transfer will take a little diplomatic explaining to the Germans.

But his move, combined with an equivalent change at the NSC, indicates an awareness of the need to strengthen the upper echelons of foreign policy making. In spite of many rumours, this probably makes more secure, for this year at least, the positions of Mr Warren Christopher as secretary of state, whose retention is considered vital to the Middle East peace process, and Mr Tony Lake as head of the NSC.

Christopher's position may be more secure as a result

Mr Oxman says his own departure was the result of "the realignment of some of the principal European policy players to advance policy goals even more effectively".

He argued that these goals were well on the way to being met.

Nato's Partnership for Peace with the members of the former Warsaw Pact was now, he said, "a working reality". The setting up of combined joint task forces gave European security a clearer definition, with "separable but not separate capabilities" for the Western European Union as a Nato pillar. Co-operation with Russia, inside and outside PFP, was genuinely productive.

It mattered, too, that the US was leading the way in "outreach" to the countries of eastern Europe, for example, by actively encouraging capital inflows.

The $11.5bn of investment capital generated over the last five years, nearly half to Hungary alone, is "but a fraction" of what a region of 135m well educated people could attract and needs. Getting the Visegrad Four (Poland, Hungary, the Czech Republic and Slovakia) into the Organisation of Economic Co-operation and Development could also be of practical assistance.

But the US had no "prescribed or set vision for the EU's future". Association agreements already signed with eastern Europe were "very substantive" and the question of when the EU acquired more members was up to the Union and the countries concerned. The main US policy thrust towards Europe was simply to avoid creating new blocs defined on either security or economic lines.

Mr Oxman concedes that relations with the leading governments in Europe were bad in May last year over Bosnia and "scratchy" in the run-up to the Uruguay Round trade agreement. Yet in January Europe had virtually "implored" the US to take a leadership role over Bosnia, which it had, resulting in the lifting of the siege of Sarajevo and the formation of the Bosnian-Croat federation.

Security is still a vital concern in the EU relationship

There had been setbacks (Gorazde) but also much progress on the diplomatic front. It might be noted, however, that the US effort has been led by Mr Charles Redman, but he is likely to be reassigned to another senior ambassadorship as a result of the State Department re-shuffle.

Still, Mr Oxman said, the evolution of Nato and the Bosnian crisis "has sobered people to the fact that though economics will be very important in the transatlantic relationship it is far too soon to put security considerations into the background." Still he trots out figures showing the depth of the economic relationship with Europe still exceeds Asia.

If Mr Oxman has anything close to a public complaint, it is that his bureau is having to get by on less. It operates 90 posts in Europe, a net 16 more than four years ago, and has 5,500 staff, over 200 in Washington. President Bill Clinton will be making 13 "country visits" to Europe this year and the secretary of state an estimated 23. "We're carrying a lot of water in the European bureau," he adds ruefully.

But plans are already under way, as required by the president, to cut the departmental budget by 9 per cent over the next four years. Already two of the bureau's five deputy assistant secretaryships have gone.

That other regional bureaus are in the same boat is no consolation. "The fact is we are going to have to do less with less", eliminating any number of functions normally conducted by embassies. Which is where, probably in Europe, Mr Oxman is headed – keeping any discontent to himself.

Venezuela banking pay-out raises fears

By Joseph Mann in Caracas

The eight financial institutions closed down by Venezuela's government this week will re-open on Monday to begin re-paying depositors, the Finance Ministry has announced.

Economists warn that the multi-billion-dollar financial assistance provided by the government to ailing banks this year could drive inflation to record levels.

The government of President Rafael Caldera has not revealed its detailed plans for the seven commercial banks and one finance company it closed. However, barring recapitalisation by former owners or offers by other investors to buy out the institutions, they are likely to be liquidated.

The first payments scheduled for depositors next week will probably go to individuals with small accounts. The tens of thousands of businesses nationwide therefore have no idea when the government will free up larger deposits at the banks and their subsidiaries, or if other normal banking operations will be resumed.

Caldera: closed seven banks

Under current legislation, each individual or company holding accounts at the institutions is entitled to a payment of up to about 4m bolivars (£15,000) from the government's bank deposit guarantee fund (Fogade), regardless of the number of accounts they hold. This will cost the government around $1.7bn, which may have to be funded through new bond issues.

Officials are considering raising the total payment to individual depositors to a maximum 10m bolivars, the same amount paid after the failure – and recapitalisation – of Banco Latino earlier this year. The failure of Latino, the country's second largest bank, sparked the banking crisis.

This would more than double the cost to the government, which has already supplied around $6bn in aid to the eight banks and Banco Latino since this year, creating a government deficit equal to around 10 per cent of GDP.

Mr Julio Sosa, the finance minister, said recently that the government expected inflation of 50 to 60 per cent this year, up from 46 per cent in 1993. Some economic analysts are project predict price increases as high as 80 to 100 per cent. Taming inflation was one of the central goals of the Caldera government, which took office on February 2.

It remains to be seen if the government's action will stabilise the Venezuelan financial system, in the grip of the second year of a recession, or if other banks that built up large loan portfolios in recent years will face problems later on.

House starts in US up 22% in 12 months

By Michael Prowse in Washington

US housing starts rose 2.6 per cent last month and by 22 per cent in the year to May, indicating residential construction remains fairly resilient despite the rise in long-term interest rates since February.

Housing starts last month were running at a seasonally adjusted annual rate of 1.51m, below the peak of 1.61m hit last December. During the first five months of this year, the average level of starts was 21 per cent higher than in the same period last year.

A sharp recent fall in applications for mortgages, however, has raised doubts about future demand for new homes.

However Mr Lloyd Bentsen, Treasury Secretary, said he was "encouraged" by the increase in starts. He said 30-year mortgage rates were still favourable, which should continue to help the industry.

In a separate report yesterday the Federal Reserve Bank of Philadelphia said its index of manufacturing activity rose modestly this month to 16.1 against 14.8 in May, but remained below first-quarter levels. The index indicates the direction of change in manufacturing production, rather than its magnitude.

An index for new orders declined from May indicating the pace of growth may be slowing.

Claims for state unemployment insurance fell to 348,000 in the week ended June 8, the lowest level in two months and a further sign that demand for labour remains strong.

Menem warns over economy

By John Barham in Buenos Aires

President Carlos Menem has warned governors of Argentina's 23 provinces against inserting clauses into the country's new constitution that could destabilise his economic policies.

Most of the provinces are controlled by Mr Menem's Peronist party and are in serious financial trouble. They intend to insert a clause in the constitution ordering the federal government to transfer half its tax revenues to the provinces.

But Mr Menem told them in a radio interview on Wednesday "to be quiet and try to contribute to reforming the constitution without introducing destabilising elements."

A constituent assembly is rewriting Argentina's 1853 constitution to allow Mr Menem to run for re-election to a second four-year term next year, in addition to strengthening the legislature and the judiciary. The assembly is also considering additional reforms, including the relationship between local and federal governments.

Mr Menem warned that interfering in current tax-sharing mechanisms would undermine federal finances and destabilise the economy, as has happened in Brazil under its 1988 constitution.

Under the current system, the provinces receive 56 per cent of selected taxes, such as value added tax. But they do not have a right to other taxes, notably customs revenues. In May, the provinces got an estimated $424m (£279m) in federal transfers, while the federal government's total tax revenues were $1.86bn. However, many provinces have signed agreements with Buenos Aires entitling them to larger, fixed transfers in exchange for economic reforms at local level.

Buenos Aires port sale hit by row

By John Barham

A bitter dispute between a consortium led by a subsidiary of UK-owned P&O and Argentina's Murchison-Roman port services company is blocking the privatisation of the port of Buenos Aires.

The consortium, led by P&O Australia, originally won bidding to operate two of the port's busiest terminals as a 25-year concession.

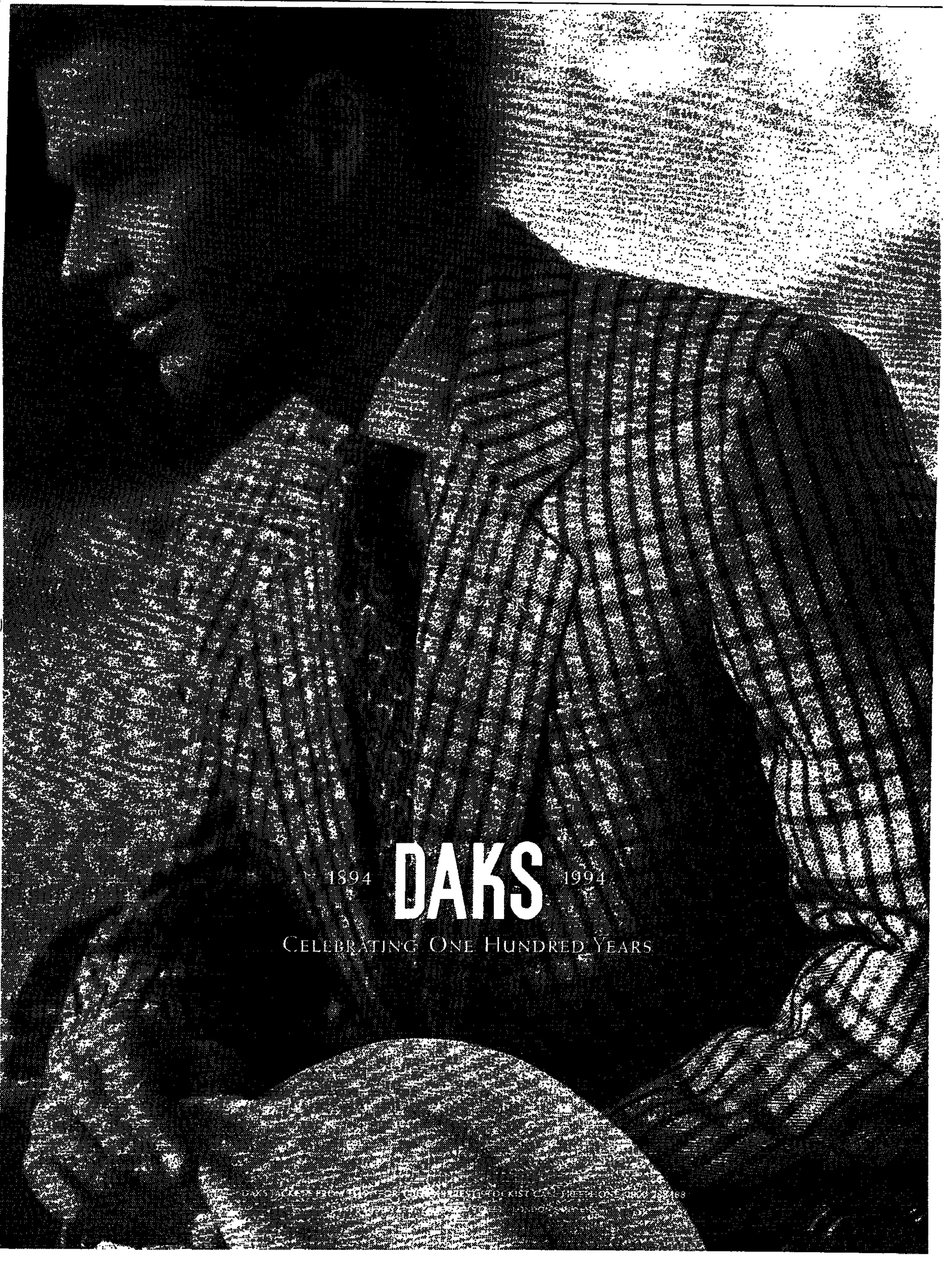
But last week Mr Domingo Cavallo, the economy minister, rejected P&O's offer after second-placed Murchison-Roman claimed one of its rival's local partners, O.L. Fasce, had not complied with bidding terms.

Mr Cavallo said he regretted P&O had lost the concession, but said he cancelled the transfer because Fasce had failed to prove it had a minimum net worth of $4m (£2.6m) –one of the conditions of the privatisation.

However, P&O had previously challenged Murchison-Roman's objections in court, insisting Fasce could prove its net worth. On Wednesday it applied for a injunction halting the transfer.

Mr Luis Dotras, a Murchison-Roman director, said P&O made "a totally speculative offer that would be impossible to comply with." He alleged the P&O consortium would not be able to generate sufficient cashflow to pay the government the $13.5m (£8.88m) annual fee it had offered. Murchison-Roman offered a $9.7m annual fee.

P&O in turn alleges Murchison-Roman used lobbying strength to overturn its bid. Mr Horacio Duranona, a lawyer acting for the P&O consortium, said: "P&O made the biggest offer. Murchison pressured Congress. The economy ministry did not review all the documents proving sufficient net worth."



Trade surplus shows sharp drop in Japan

By Gerard Baker in Tokyo

The first clear-cut evidence that Japan's huge current account surplus has peaked came yesterday with figures showing a sharp drop in the trade surplus for May.

The Ministry of Finance reported that the customs-cleared merchandise trade surplus fell by 15.9 per cent from the same month a year earlier, to $6.54bn (£4.3bn), the first double-digit year-on-year decline since December 1991.

Imports rose by 12.3 per cent to $21.5bn while exports grew by just 4.2 per cent to $28.1bn on a year earlier. The more reliable three-month trend, which irons out monthly fluctuations, showed a fall in the seasonally-adjusted trade surplus of 7 per cent in the three months to the end of May.

The sharp fall in the dollar-denominated surplus reflects the decline in yen terms under way for several months. The sharp rise of the Japanese currency against the dollar in the last year had led to a rise in the dollar-denominated surplus, despite a fall in the surplus in volume terms.

But yesterday's figures suggest the volume of imports is now growing so fast as to outweigh the effects of the stronger yen. Import volumes rose rose as much as 16.1 per cent on a year ago, the fifth consecutive monthly increase, while export volumes fell 2.6 per cent, the fourth straight fall.

The sharp rise in import volumes appears to reflect a slight strengthening in domestic demand, but some analysts attribute it to the growth in Japanese companies' offshore production. To offset the yen's high value, many manufacturers have stepped up overseas production.

Mr Geoffrey Barker, chief economist at Baring Securities in Tokyo, said: "The Japanese economy is now sucking in imports, as Japanese companies increase the foreign outsourcing of many of their operations."

Most analysts agreed that the figures marked a turning point. "The strong yen is at last being reflected in a smaller dollar trade surplus," said Mr Dick Beason, senior economist at James Capel Pacific. "We can now expect to see some spectacular falls in the surplus in the second half of the year."

But the figures are unlikely to have an immediate effect on the trade tension between the US and Japan. The bilateral trade surplus rose 7.5 per cent from a year ago to $3.05bn, reflecting the strength of US demand for imports.

The dollar was little affected, remaining under pressure against the Japanese currency, at Y102.65 to the dollar at the close of Tokyo trading. Ministers greeted the figures with caution.

HK's airport move tests China ties

By Simon Holberton in Hong Kong

The Hong Kong government yesterday put its improving relations with China to the test when it said it would seek the local legislature's approval for more than HK$15bn (£1.2bn) of finance for the colony's multi-billion dollar airport project.

Britain and China have yet to agree overall terms for the financing of the project, Asia's largest integrated transport plan. The two are discussing the Hong Kong government's fourth financial plan for the project; hopes have been raised that an agreement is within sight.

China yesterday confirmed that Mr Alastair Goodlad, a British foreign office minister, will visit Beijing next month. A Chinese government spokesman said Beijing was keen that disputes about Hong Kong should not sour China's wider relations with Britain.

The request for further funding from the Legislative Council (LegCo) is by far the government's biggest gamble in its "step-by-step" approach to building the airport. China has acquiesced in the past to LegCo voting funds for the project, but its continued indulgence cannot be taken for granted.

Mr Lu Ping, a senior Beijing official in charge of Hong Kong affairs, said recently that the government should refrain from further funding requests, pending an overall agreement with China. At the same time, Mr Lu said he thought the issue of finance could be settled shortly.

A Hong Kong government official said yesterday that more funds were needed by the Provisional Airport Authority so that companies tendering for work could be certain the authority had the money. Tenders for work have to be let between July and September if a mid-1997 completion date for the airport is to be achieved.

The official noted that China had been informed about a month ago of the need for more funds and had been told the details of yesterday's funding request some days ago.

The government is asking LegCo for HK$8.9bn to build the airport passenger terminal, HK$4.93bn for the airport's first runway and other essential civil engineering, $HK1.08bn for baggage handling facilities, and HK$227m for the airport authority's head office expenses.

Arms imports by developing world increasing

By Bruce Clark, Defence Correspondent

The volume of the international arms trade, in decline for the past seven years, is now stabilising, with arms imports by the developing world increasing, the annual survey of the Stockholm International Peace Research Institute says.

Sipri's analysis of world trade in conventional weapons shows total volume declined only marginally last year, to $22bn (£14.6bn) from $22.8bn in 1992, peaking of at $45.9bn in 1987. Arms imports by the developing world showed their first increase in six years, with a 1993 total of $12.4bn, up from $11.7bn in 1992 but still down on a high of $31.0bn in 1987.

Some of the fastest growth in purchases came in the Middle East, where the conservative Gulf states and Egypt have been rearming after the Iraq conflict. Middle Eastern countries bought $5.5bn-worth of armaments last year, up from $4.8bn in 1992 and $4.6bn in 1991. In the Nato countries, military budgets have been falling; the share devoted to arms procurement has been tumbling even faster.

Comparing last year with 1989, the year when communism collapsed in eastern Europe, the institute reported a decline in Nato's manpower from 5.9m to 5.1m, a drop in general military spending (at constant prices) from $370bn to $322bn, and a plunge in procurement from $83bn to $60bn.

Falling demand from their home markets has forced the west's top arms companies to concentrate harder on export, particularly to the Gulf, south-east Asia, and Latin America. Among the world's top recipients of conventional weapons, Turkey moved from second to first place last year, with imports of $2.5bn, ahead of India ($2.2bn), Egypt ($1.48bn) and Saudi Arabia ($1.32bn).

In 1992, the top recipients were Greece, Turkey, China and Japan. But measuring the value of arms for Greece and Turkey is complicated since they receive huge volumes of second-hand equipment.

Price demanded by North Korea for opening its nuclear facilities is likely to be steep

'Powderkeg' could cause fourth conflict

By John Burton in Seoul

Seoul department store shoppers read instructions on how to use a gas mask in case of a possible surprise attack by North Korea AP

The Korean peninsula is a political powderkeg that has caused three regional wars since 1894 when China and Japan clashed over the country. The question is whether the North Korean nuclear dispute will cause a fourth conflict.

Whether the crisis can be resolved peacefully depends largely on North Korea's intentions in refusing international inspections of its nuclear facilities. The most optimistic interpretation has been that North Korea is seeking concessions from the US in return for allowing full inspections.

A deal, perhaps brokered by former US President Jimmy Carter, who is now in Pyongyang, could head off a confrontation.

But the price demanded by North Korea for opening up its nuclear facilities is likely to be steep. It wants US diplomatic recognition, economic aid including the supply of safer light-water nuclear reactors, and the eventual withdrawal of the 37,000 US troops from South Korea.

The latter would be linked to a peace treaty between North Korea and US that would formally end the Korean war of 1950-53.

In return for diplomatic normalisation, the US is also likely to demand conditions that North Korea may find unacceptable, including improvements in human rights and ending its exports of long-range missiles.

Another thorny issue is whether the US would permit North Korea to retain the two nuclear weapons it is already suspected of possessing, as long as nuclear safeguards would prevent it from making any more.

That issue could be solved if full inspections disclose that the North has not in fact yet succeeded in constructing atomic bombs.

There are other obstacles to a diplomatic solution. Negotiations could easily founder due to deep mutual distrust. Any negotiations would also be lengthy. This presents a political problem for US President Bill Clinton, already being criticised by domestic conservative opponents for being too patient with North Korea.

Granting diplomatic recognition to North Korea would also open Mr Clinton to charges that he has bowed to nuclear blackmail, although he has established a precedent by giving economic aid to Ukraine in return for dismantling its nuclear forces.

US concessions to North Korea would also be likely to anger South Korea and provoke doubts about a US commitment to its defence. This could force Seoul to quit the US nuclear umbrella and try to acquire its own nuclear weapons capability.

Nevertheless, diplomatic activity is expected to increase in the next few weeks as the US gives North Korea a final deadline to accept inspections before threatened UN sanctions are imposed.

North Korea has engaged in diplomatic brinkmanship since the nuclear dispute erupted in March 1993 when it threatened to withdraw from the nuclear non-proliferation treaty. Based on its past performance, it may offer a last-minute concession on inspections sufficient enough to keep talks going.

But there is a growing belief in Washington and Seoul that North Korea is just playing for time as it pushes ahead to build more nuclear weapons.

The worst-case scenario is that North Korea plans to sell both weapons-grade plutonium and missiles to other anti-western nations, such as Iran and Libya, in return for hard currency and oil supplies, which are needed to keep its struggling economy afloat.

Although US economic aid might remove the need for weapons sales, Pyongyang would prefer not to become economically dependent on the US, according to this analysis.

If North Korea does not appear willing to compromise within the next few weeks, the UN Security Council would begin introducing phased sanctions. These would start with mild measures, such as ending UN economic aid, and gradually escalating to an oil embargo and cut-off of cash remittances from Korean-Japanese. But China may try to block sanctions.

Even if Beijing allows the passage through the United Nations of phased sanctions, it may try to cushion their effect on North Korea by turning a blind eye to continued supplies of oil and grain, which are vital to Pyongyang. China has a vested interest in preventing North Korea from collapsing, since it wants to avoid millions of refugees streaming across its borders.

There is little doubt that UN sanctions would cause North Korea to withdraw from the NPT, which would deepen the dispute. Pyongyang has said it would consider sanctions an act of war, implying it would launch an attack against, possibly, South Korea or Japan.

Officials in Seoul believe the threat is a bluff to intimidate South Korea and Japan from supporting sanctions, and that North Korea realises it would lose any war. But terrorist activity is not ruled out.

If economic sanctions are introduced, the US and its Japanese and South Korean allies might then adopt a wait-and-see attitude, would hope the economic measures would lead to North Korea's eventual collapse.

Another possibility is that the Chinese-influenced North Korean military might stage a coup against the country's next leader, Mr Kim Jong-il, once his father, the 82-year-old President Kim Il-sung, dies. There is believed to be considerable military opposition to Kim junior.

But there are certain time constraints to waiting. North Korea is on the brink of rapidly expanding its nuclear capability. While it now operates only a 5MW. reactor, it is expected to complete building a 50MW reactor in 1995 and a 200MW one in 1998 that could produce amounts of plutonium.

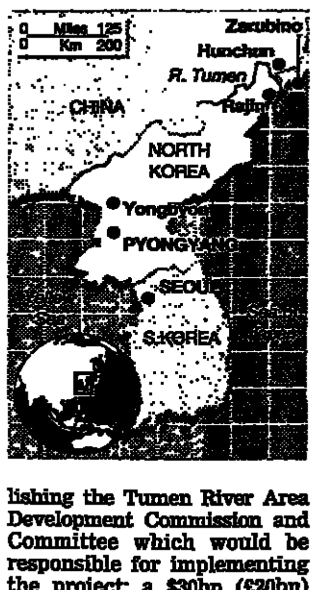
The US might, consequently, consider conducting a pre-emptive military air strike to knock out the two bigger reactors before they are finished.

But this action carries grave risks. It would be likely to trigger a desperate military invasion of South Korea by the North. Pyongyang might also launch Scud missiles against the South's 12 commercial nuclear reactors in retaliation, which would spread radioactivity clouds throughout the region.

For this reason, the US is unlikely to find much support for a military solution from South Korea and Japan.

Outpost shows what N Korea could gain by co-operating

Tony Walker sees possibilities on a recent visit to Fangchuan



From the remote lookout of Fangchuan where China, Russia and North Korea meet, the visitor views the Sea of Japan to the east and in the foreground, the Russian wetlands that are one of the world's most prized bird sanctuaries.

Below the lookout flows the Tumen River, muddy and shallow, delineating the boundary where over the years, tension has risen and fallen according to power games being played out in capitals hundreds, if not thousands, of kilometres away. But Fangchuan provides a perspective on what might be commercially possible if the row is eventually defused.

The Tumen River area in China's Jilin Province and the nearby ports of Zarubino in Russia and Rajin in North Korea form the nucleus of an ambitious scheme to draw China, Russia, Mongolia, Japan, and South and North Korea into a partnership to develop this remote area.

Failure to resolve the North Korean issue with the threats of sanctions and even war would vastly complicate present efforts by the United Nations Development Programme (UNDP) to encourage economic development in a region long forgotten.

The various parties to the project are due next month to initial agreements for establishing the Tumen River Area Development Commission and Committee which would be responsible for implementing the project: a $30bn (£20bn) gleam in the eyes of UN officials who hope to attract vast amounts of international capital.

But even without a UN framework for development, which some critics regard as much too grandiose in any case, China has quietly been getting on with the job. North Korea itself is reportedly co-operating.

Hunchun, the main Chinese town in the area, has undergone a remarkable transformation in the past year. Some 80,000 people, mostly construction workers, have poured in, doubling its population.

Local officials are confident that in spite of regional tensions and difficulties of co-ordination among the various players, the Tumen area will be developed with or without the UN's grand plan.

Mr Jin Tie, vice-director of the Tumen River Development Office, says China, Russia and North Korea realise there is no future in maintaining the Tumen's isolation. "The cold war atmosphere has loosened," he said, "the ice has melted."

International business has begun to get involved, even at this moment of increasing tensions between North and South over the nuclear issue.

Hong Kong and Singapore investors last month signed agreements for a 50 per cent stake in the China North-East Asia Railway and Port Group Co, whose shareholders include the local Jilin provincial government.

The company plan to build a railway bridge over the Tumen to connect with a North Korean rail link to Rajin port would be upgraded with the construction of grain and container terminals.

Similar work will be carried out at the Russian port of Zarubino. Hunchun itself has established a 2¼ sq km economic development zone which has attracted some 44 companies involved in textiles and other light manufacturing.

If there is a cloud over Hunchun these days, it has less to do with the North Korean problem than with a marked slowdown in Sino-Russian border trade.

Trade was down by about 50 per cent in the first five months of this year compared with the same period last year, largely because of Russian restrictions on access for Chinese traders.

Business with North Korea is also down. Local officials of Yanbian Prefecture, which includes Hunchun, were not able to provide figures, but said the decline from last year's exports of $140m was steep.

This was not due to political tensions, they said, but was caused by the continued deterioration of North Korea's economy.

While it may not be business as usual on China's north-east frontier, this almost certainly has less to do with politics than with economics.

In the end, North Korea's failing economy may be the imperative that drives it to seek an accommodation with the international community.

The Tumen River project shows that the North Koreans are not beyond co-operating, when they believe it is in their interests.

Investors fear rising tensions

By Our Markets Staff

Yields on dollar-denominated bonds issued by South Korean borrowers have widened out by between 25 and 30 basis points over the last week, reflecting investor fears of a further heightening of tensions on the Korean peninsula.

Last week, Standard & Poor's, the international credit rating agency, revised the outlook on its A-plus implied long-term rating on the Republic of Korea, to negative from positive. The agency said the revision was prompted by North Korea's refusal to comply with demands for inspection of its nuclear facilities.

The yield spread on the benchmark $1.35bn offering of 10-year global bonds from Korea Electric Power Company, South Korea's partially privatised power utility, stood at 160 basis points over 10-year Treasuries yesterday, which compares with a spread of 90 basis points when the bonds were launched last November.

However, dealers reported some bargain-hunting which they said could lead to a stabilisation in the bonds.

Share prices in Seoul rallied yesterday after two days of losses. The composite stock index ended 10.16 points higher at 901.08, off the day's high of 906.94, as institutions bought blue chips. The market is nearly 7 per cent below its 1994 peak reached at the beginning of February, before the government acted to cool the market, but has not plumbed the low of 855 points it reached in early April.

On the currency markets, the US dollar managed an initial rise yesterday on early rumours that a US helicopter had been downed in North Korea – speculation which was later denied by the Pentagon.

The US dollar is often perceived as a "safe haven" in times of international crisis and might have been expected to gain from the growing tension in Korea.

However, the dollar has been weak for much of the last few weeks, and has generally gained little from the Korea effect. The markets have taken the view that US economic growth is slowing, implying that there is less pressure on the Fed to raise interest rates.

"It would be normal to assume that disturbances in any part of the world would cause a flight of safety to the dollar," said Mr Jeremy Hawkins, senior economic adviser at Bank of America. "But it does not seem to be having an impact on the market at the moment."

Indeed, by putting upward pressure on commodity prices, the Korean crisis may be upsetting the US bond market, which fears a resurgence in inflation. A sell-off in the Treasury bond market would probably adversely affect sentiment towards the dollar.

Deepening concern about North Korea's intentions has helped to lift oil and gold prices. Recent firmness in crude prices was consolidated this week when members of the Organisation of Petroleum Exporting Countries confirmed their determination to stick to the existing production ceiling. The North Korean factor helped to spice up the cocktail, which yesterday lifted the North Sea Brent crude price above $17 a barrel for the first time in seven and a half months.

Gold, seen as a haven for funds in times of trouble, is traditionally sensitive to international security worries. Yesterday morning its price touched a two-week high of $387.10 a troy ounce at the London bullion market fixing. By the close it had retreated to $386.30, but that was still up $2.80 on the week so far.

Reporting by Antonia Sharpe, Philip Coggan, Motoko Rich and Richard Mooney

Clinton has few trumps up his sleeve

By George Graham in Washington

US President Bill Clinton yesterday met his foreign policy advisers to discuss the mounting crisis over North Korea, with few useful cards at his disposal for dealing with Pyongyang's apparent determination to pursue its development of nuclear weapons.

The Clinton administration has been grappling, ever since it took office a year and a half ago, with the problem of what Mr Anthony Lake, White House national security adviser, calls "backlash states".

Besides North Korea, Mr Lake numbers Cuba, Iran, Iraq and Libya in his list of such "recalcitrant and outlaw states that not only choose to remain outside the family but also assault its basic values".

Of the five, North Korea is apparently most advanced in its development of weapons of mass destruction.

The Clinton administration's response has been a strategy of containment, backed by a willingness, as yet untested, to respond with military force to any aggressive act.

While not ruling out any option, Washington officials have expressed no readiness to take pre-emptive military action.

That leaves only diplomacy, a path hindered by the difficulty of penetrating the mind of President Kim Il-sung and the North Korean regime, as well as by the paucity of levers available to the US.

The administration has tried to keep some carrots in the deal presented to North Korea. These come in the shape of a promised improvement in diplomatic relations and economic ties.

The danger is that it will be trapped into conferring these privileges over and over, in exchange for minimal North Korean concessions that do not even get back to the *status quo ante*.

Few sticks, however, come to hand.

The problem is not just persuading China not to veto a United Nations sanctions resolution.

It is that only China and a handful of other countries have any significant economic relationships with North Korea through which economic pressure can be applied.

The arms embargo proposed in the first phase of the US's draft resolution seems unlikely to have much effect, since the main countries that trade arms with North Korea are the same "backlash states" least likely to comply with UN sanctions.

The advantage of the phased approach contained in the US draft, however, is that the next step along the road is not a restart of the Korean War.

Some in Washington argue that the US does not have the luxury of waiting to see if Pyongyang will have a change of heart.

Mr Brent Scowcroft, national security adviser under President George Bush, and Mr Arnold Kanter, under-secretary for political affairs in the Bush State Department, argued in the Washington Post that more immediate action was needed to deal with the possibility that North Korea might, by the end of this year, have reprocessed enough plutonium to make another four to six nuclear warheads.

"We should tell North Korea that either it must permit continuous, unfettered International Atomic Energy Agency monitoring to confirm that no further reprocessing is taking place, or we will remove its capacity to reprocess," they wrote.

Mr Scowcroft does not believe a limited attack to destroy North Korea's nuclear reprocessing facility would, in fact, lead the North to military retaliation.

But if it were to do so, he argues, it is better to fight the war now than later, when the North might possess as many as eight nuclear warheads.

At the Clinton State Department, officials say this argument "had not been overlooked," but believe Mr Scowcroft and Mr Kanter understated the risk of all-out war between North and South Korea.

That warning was reinforced yesterday when a Chinese foreign ministry spokesman confirmed Beijing stood by its mutual defence agreement with North Korea, saying the two countries were "as close as lips and teeth".

Nor is there great support for such a military gamble in the US Congress, even among Mr Scowcroft's friends in the Republican party.

"I think on our side there is a 'Be cautious, be firm, but don't rush into anything right this minute' kind of mood," said Congressman Newt Gingrich, number two in the Republican leadership in the House of Representatives.

Austere budget for Kenya as debts rise

By Leslie Crawford in Nairobi

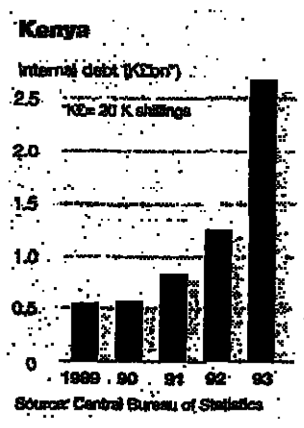
Mr Musalia Mudavadi, Kenya's finance minister, yesterday announced an austere 1994/95 budget with little scope for investment in the country's dilapidated social services or transport infrastructure, against the backdrop of a stagnant economy and escalating debt servicing costs.

Nevertheless, Mr Mudavadi forecast an economic turnaround this year and promised to reduce inflation to less than 10 per cent by the end of 1994 from about 40 per cent at present.

A better harvest was expected to boost Kenya's economic growth rate to 3 per cent in 1994, he said, still barely ahead of population growth but better than the dismal 0.1 per cent registered in 1993 – the country's worst economic performance since independence 30 years ago.

Few conjurers would envy the trick Mr Mudavadi must perform this year. Under the watchful gaze of the International Monetary Fund, he has been ordered to cut the budget deficit while servicing a growing public debt.

Reducing from 7 per cent of GDP this year will be difficult in the face of the government's ballooning domestic debt – the product of financial profligacy in the run-up to the December 1992 elections and subsequent banking frauds that cost the country hundreds of millions of dollars.



Source: Central Bureau of Statistics

The K£2.57bn (£31m) domestic debt servicing bill consumed almost half the government's revenue last year. "It dominated the entire outcome of the budget," Mr Mudavadi admitted. "It blew the deficit beyond acceptable limits."

As a result, Mr Mudavadi was forced to curtail public investment sharply last year. Gross investment, he noted, fell by 16.4 per cent last year, with the government responsible for four-fifths of that drop.

There will be no respite this year. Mr Mudavadi warned government ministries that they would be issued with monthly expenditure ceilings.

Their cash balances will henceforth be monitored daily by the central bank via a recently set-up computer network.

He is also planning to cut direct and indirect subsidies to the parastatal sector, which totalled 5.5 per cent of GDP last year. Legislation is planned to encourage private sector investment in the electricity sector, telecommunications, and port and railway services.

On the revenue side, Mr Mudavadi has introduced private inspection companies inside customs to cut down on the evasion of import duties, an estimated one-third of which are never paid.

Mr Mudavadi said foreign aid flows would cover 23 per cent of government expenditure next year, but deplored that fact that most aid was "tied" to specific projects.

No peace yet in troubled Kashmir

Kidnappings highlight unrest in spite of fragile gains, writes **Stefan Wagstyl**

The kidnapping of two British tourists by separatist militants in the northern Indian state of Jammu and Kashmir highlights how far this troubled region still is from peace.

Over the last 12 months, the Indian authorities have tried to create the impression that the violence which has hit Kashmir in the past four years is being brought under control. They were so successful that tourists started coming back this year: owners of hotels, houseboats and handicraft shops thought their trade could at last see a revival.

The kidnapping has put in jeopardy this fragile gain in confidence. It is now 11 days since Mr David Mackie, aged 36, and 16-year-old Kim Housego, son of Mr David Housego, a former Financial Times staff correspondent, were captured while on trekking holidays with their families.

The incident has exposed the fact that despite considerable advances in suppressing militants in the capital city of Srinagar and the surrounding valley, the Indian security forces are far from crushing the separatist fighters.

Even the government's own figures show violence remains widespread. In the five months to the end of May, the death toll was broadly the same as for the same months last year – 501 militants, 85 members of the security forces, and 420 civilians (killed in militant attacks or in crossfire.) A further 139 people were kidnapped. Altogether nearly 10,000 have died since the fighting broke out in 1990, according to official statistics. The militants put the total at more than 20,000.

This is not to say the authorities have made no progress in the past year. The security forces have killed or captured several top militant leaders and disrupted lines linking militants with their sources of supply in neighbouring Pakistan.

Delhi scored a considerable coup last November by bringing to a peaceful end a month-long siege of the Hazratbal mosque, the holiest Moslem shrine in Kashmir.

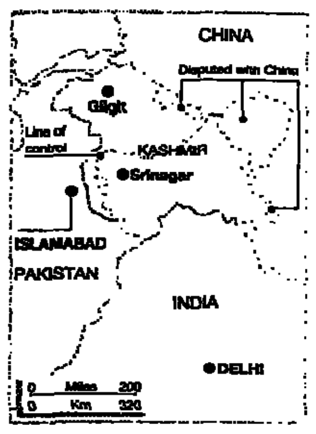
"In Srinagar at least the improvement is palpable," says a senior official of the Jammu and Kashmir state government.

But even in Srinagar, life is far from normal. The paramilitary Border Security Force patrols the streets and maintains sand-bagged bunkers. "If Srinagar seems quiet it is because we have adjusted to life under occupation, not that we have accepted it," says Mr Abdul Ghani, a representative of the All Party Freedom Conference, an umbrella organisation of Kashmiri political groups, some of which demand independence and others union with Pakistan.

Moreover, while violence has declined in the Moslem heartland of Srinagar and the surrounding valley it has increased elsewhere – notably in the southern districts with mixed Moslem/Hindu populations, including the hilly Doda area, where militants recently assassinated two local leaders of the right-wing Hindu Bharatiya Janata party.

There is also a shift in the balance of power among the militants, with groups linked to the Jammu and Kashmir Liberation Front, the pro-independence political organisation, losing ground to radical pro-Pakistan Islamic groups.

They see the battle against India as a jihad – a holy war. Supplied with arms from within Pakistan and strengthened by the presence of small numbers of Afghan and other battle-hardened Moslem fighters, these groups have challenged the traditional dominance of the JKLF. Among these radicals organisations is Harkat-ul-Ansar, which captured the two Britons.



The JKLF seems unsure how to react. Some leaders want no compromises, others appear to be putting out feelers to the Indian government, among them Mr Yasin Malik, who was released from prison a month ago and promptly appealed publicly for talks.

It is hard to see how the government can respond if the JKLF sticks to demands for independence. But if the government does nothing, it could miss a valuable opportunity to create a point of contact with the militant movement. There may not be much time – pro-Pakistan militants tried to shoot Mr Malik earlier this month and could try again.

Delhi is aware that the longer the fighting goes on, the more the pro-Pakistan Islamic groups are likely to gain ground, notably Hizb-ul-Mujahideen, the biggest and most active organisation. Mr Rajesh Pilot, the minister responsible for Kashmir, has said repeatedly that he wants to start a "political process", meaning talks with Kashmiri groups, followed by state-level elections and possibly an increase in autonomy from Delhi.

"I feel there is more chance of the political process starting now than at any time in the past two years," he says.

But for most Kashmiri activists, hints of increased autonomy are worthless. Mr Ghani says: "If we don't leave India, all this violence will have been shed for nothing."

Yesterday Mr Housego returned to Pahalgam, the area of the kidnapping, with a group of journalists, in a move to encourage the kidnappers, who are apparently nervous about the presence of Indian security forces, to release their captives. If he succeeds it will at least remove one point of tension in the troubled state.

Egypt resists IMF pressure to devalue

By Mark Nicholson in Cairo

The International Monetary Fund is pressing for a devaluation of the Egyptian pound as part of the country's reform programme, but the government is resisting, for fear of harming investor confidence a senior minister has admitted.

The disagreement over devaluation is holding up IMF approval of Egypt's economic reform programme which, once secured, would trigger the relief of between \$4bn and \$5bn (£2.6bn-£3.3bn) of external debt under a deal reached in 1991 with the country's Paris Club creditors.

The government conceded this week it had abandoned hopes of gaining such approval by next month, as had originally been hoped. Ministers now say they hope to have won the Fund's imprimatur before the end of the year.

Mr Atef Obeid, minister for the public sector, vowed Egypt would "never devalue", saying that continued currency stability was essential to sustain and improve flows of capital into the economy.

Egypt's central bank has pegged the pound at around £E3.3 to the dollar for the past three years, aided by high interest rates which have attracted substantial financial flows.

Over that period, the bank has been purchasing dollars to prevent the pound from appreciating, accumulating reserves which now stand at \$16.6bn (£11bn) and cover 16 months of imports.

The IMF has argued that Egypt cannot indefinitely hold the pound at artificially high levels without harming export competitiveness, a view supported by many local businessmen and bankers, who believe a level of between £E3.8-£E4 to the dollar is more realistic.

The Fund also argues that a devaluation would then permit accelerated cuts in Egypt's high interest rates, which the IMF sees as an additional constraint on its already modest economic growth.

The government has trimmed rates in the past two years, but many bankers believe the interest rate structure to be misaligned and rates too high. Prime lending rates to multinationals, for instance, stand at 12 per cent, three-month treasury bills at 12.2 per cent, and the discount rate at 15.4 per cent.

Mr Obeid resisted the argument that Egypt must devalue to boost non-oil export earnings from \$2bn a year at present to the government's target of \$10bn by 1999. "There is no reason for the pound to fall, exports are already increasing," he said, citing a 16 per cent rise in exports last year over 1992.

The government also fears a devaluation might prompt swift and hefty transfers out of pounds back into dollars, reversing the successful "de-dollarisation" of the economy over the past three years, while placing pressure on reserves.

"We made it very clear we disagree," Mr Obeid said. "We will do what is right for the Egyptian economy."

Zimbabwe civil servants receive large pay rise

By Tony Hawkins in Harare

Zimbabwe's public servants, police and soldiers are to get an interim pay rise ranging from 10 to 23 per cent next month, at a cost of Z\$1.74bn (£146.6m).

In a country, where individuals are overtaxed, according to finance minister Dr Bernard Chidzero, the government has introduced a battery of tax-free allowances for public servants covering housing and transport.

The chairman of the Public Service Commission said the increases, announced late on Wednesday night, were an interim measure designed to help civil servants cope with inflation of 24 per cent over then past year.

He said private sector salaries were – on average – 172 per cent higher than those in the public service while parastatal employees were paid 84 per cent more than civil servants.

The government was committed to redressing this situation once it had considered the report of a British consultant. Further reviews of allowances for the police and the defence forces were under way, he added.

Ironically, the announcement follows increasingly shrill warnings about inflationary pressures in the economy from the Reserve (central) Bank of Zimbabwe.

The Z\$1.7bn pay award represents a rise of nearly 12 per cent in public spending in the 1994/5 fiscal year starting on July 1.

With the government likely to miss its budget deficit target of 5.4 per cent of GDP by a substantial margin – most estimates suggest a deficit in the current year to June 30 of around 9 per cent – the increase will not go down well with the donor community.

But with real wages having fall by a third in the last four years to a 20-year low, substantial pay increases, next year as well as this, were inevitable, the more so ahead of next February's general elections.

With inflation forecast to average at least 24 per cent this year, thispay award is not going to reverse the long-run downward trend in real take-home pay.

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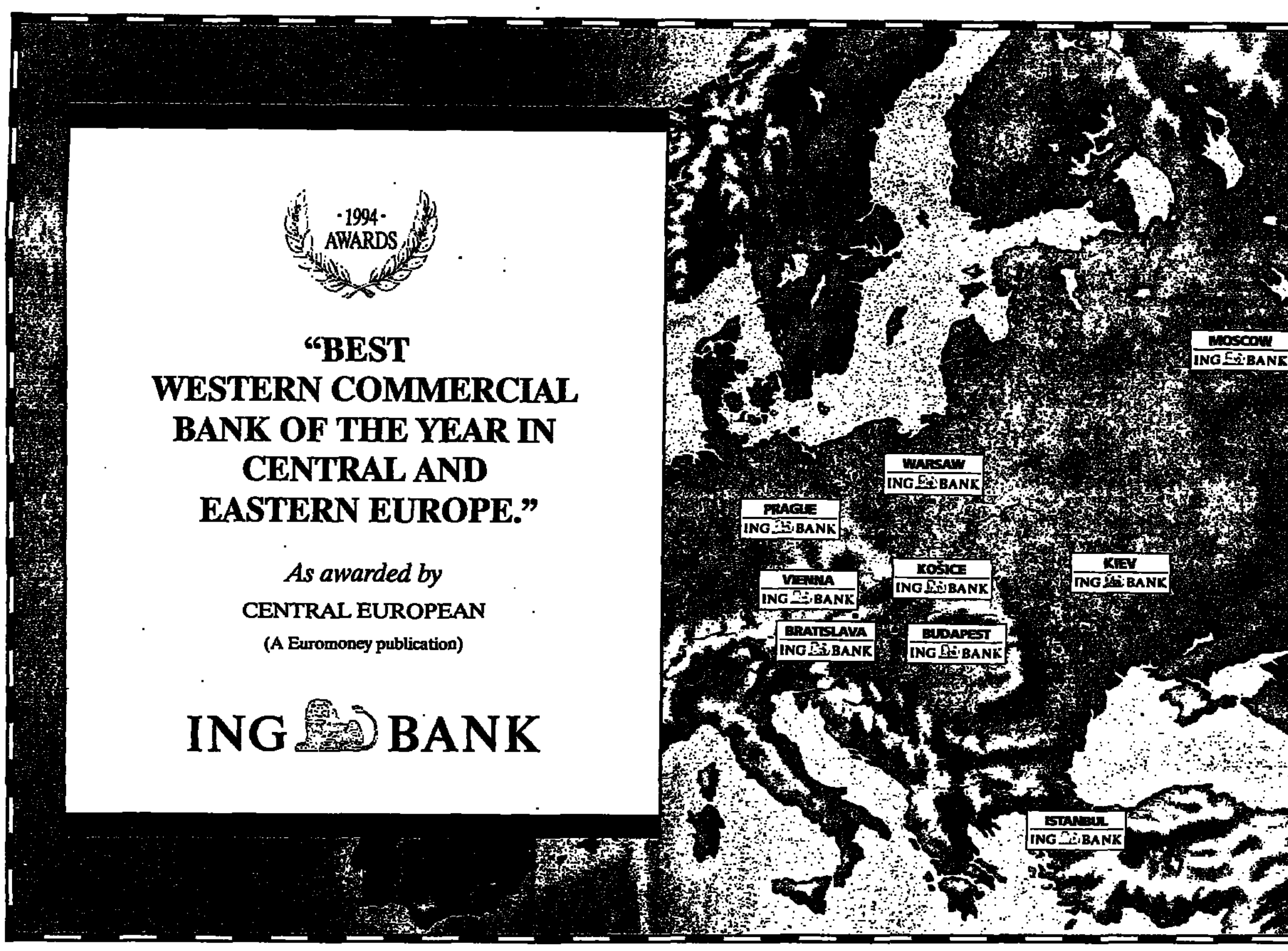

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Peter Sutherland: ratification is "outstanding priority"

Trade ratification 'a priority'

By Martin Wolf

"The outstanding priority", argued Mr Peter Sutherland, director general of the General Agreement on Tariffs and Trade, in London last night, is "to ratify the Marrakesh trade agreements so that they can enter into force on the agreed target date of January 1 1995."

Giving the third annual Hayek memorial lecture at the Institute of Economic Affairs, the free-market think tank, Mr Sutherland said international economic relations would then depend on achieving further cuts in trade barriers and the willingness of members of the prospective World Trade Organisation to abide by the letter and spirit of the new rules.

Mr Sutherland pointed out that in industrial countries there would still be tariff peaks in sensitive categories; that average tariffs would remain much higher in developing countries than in industrial ones; that most agricultural tariffs would be significantly greater than on industrial products; and that much negotiation remained to be done in services, starting with financial services.

One reason for the spread of illegal obstacles since the late 1960s was the absence of third party complaints against bilateral accords. But, stressed Mr Sutherland, a more fundamental threat to countries' willingness to abide by the rules and disciplines of the new WTO is concerns about implications for national sovereignty.

Arguing against this view, he indicated that the WTO did not have the power to impose new trade policy obligations. Amendments of the WTO Agreement that alter the rights and obligations of members are effective only for those countries that have accepted them. Also "some countries have interpreted the right to refuse panel findings as the prerogative of a sovereign nation. But what this amounts to is a country choosing to be above the law whenever it is inconvenient to observe the law."

More fundamentally, insisted Mr Sutherland, "if sovereignty is equated with the ability of a government to carry out its legitimate functions, the acceptance of the new WTO rules and procedures by governments around the world will increase the sovereignty of each and every one of them."

Meanwhile, an important challenge would be developing coherence between the Bretton Woods institutions (the World Bank and International Monetary Fund) and the WTO.

Another priority is expansion of the system, which now has 123 contracting parties, with 19 more – including China, Russia and Ukraine – now negotiating accession or resumption of membership.

Salinas backed to lead new trade body

By Nancy Dunne in Washington

The leaders of 19 Latin American countries and Spain and Portugal have endorsed Mexican President Carlos Salinas to head the new World Trade Organisation, the Mexican embassy in Washington said yesterday.

The embassy said that leaders reached a consensus on the Salinas candidacy at the fourth meeting of the Ibero-American summit in Cartagena, Colombia. The decision will give momentum to the campaign on behalf of Mr Salinas.

Brazilian diplomats in London, however, cautioned that it was premature to suggest that Mr Salinas had unanimous support from the region, and underlined that Mr Rubens Ricupero, Brazil's minister of the economy and a former ambassador to Gatt, was the only candidate from Latin America yet to have been formally declared.

Mr Salinas is not expected to campaign for the new post, created by the Uruguay Round, until after the Mexican elections in August. However, his supporters both in and outside Mexico wanted to move quickly to head off the candidacy of Mr Ricupero, 57.

Among Latin American officials in Washington it has been expected that the region would unite behind one candidate. "Mr Salinas has the larger international stature," said one official. "He is a very strong candidate."

Mexico acted swiftly and deliberately in the week before the European Union was to rally around its own candidate – Mr Renato Ruggiero, a former Italian trade minister. Mr Ruggiero is expected to win the formal endorsement of the EU, probably at the Corfu summit next week.

In the US there is wide support for Mr Salinas, who is seen as energetic and ambitious. However, it is thought that Mr Salinas first must be the candidate of the developing countries before the US announces its backing.

Mr Pedro Solbes, Spain's finance minister, was recently quoted as saying that Mr Salinas was a "suitable candidate", and that were he to be appointed head of the organisation "we could not be in better hands".

China seeks to boost vehicle parts sector

By Tony Walker in Beijing

China will give preference to foreign automobile manufacturers who demonstrate their commitment by launching vehicle component projects to satisfy the country's huge demand for components and spare parts.

Mr Ye Qing, vice-director of the State Planning Commission, yesterday outlined conditions for the entry of foreign carmakers after a freeze expires on new manufacturers at the end of next year.

"All things being equal priority will be given to foreign partners who have shown good co-operation in the spare and component parts fields," Mr Ye told reporters.

China has not yet officially unveiled its new Industrial Policy for the Automobile Industry (IPAI), but companies such as Toyota and Mitsubishi, Ford and General Motors have been informed they have been excluded from establishing assembly plants until 1996 at the earliest.

Beijing has made it clear that it wants investment in its components sector which is backward, fragmented and inadequate for the demands of a modern automotive industry.

The car giants, who have been slow to take advantage of opportunities in China, are being told effectively they have to prove themselves by going into the components business.

Most of the big car makers are presently investigating possibilities, including seeking joint venture partners in components manufacturing.

Foreign manufacturers who established an early presence in China such as Volkswagen have been accorded a significant windfall under the present freeze on entrants to the ranks of international companies involved in assembly.

Mr Ye confirmed reports in the Chinese press that Beijing would establish three automotive conglomerates based on the Ist Auto Works in Changchun in north China where the the Audi and Jetta cars are being assembled; Shanghai where the VW Santana is being produced; and the 2nd Auto Works near Wuhan in Hubei province where the Citroen ZX small car is being assembled.

China produced some 300,000 passenger vehicles last year and imported another 100,000.

The country plans to be producing some 1.5m vehicles by the end of the decade.

Concentrate effort, UK groups told

By Alexander Nicoll, Asia Editor

British companies as well as government aid should concentrate on a few centres of economic growth in China in order to maximise their impact and build strong relationships, Mr Richard Needham, the British trade minister, said yesterday.

Speaking at a London seminar on the city of Suzhou, he said: "I do not believe that a scattergun approach to China works. You may hit the target but you are far more likely to miss it." He urged UK businessmen to consider Suzhou as one area in which they could establish a presence.

Mr Needham last year signed a memorandum of understanding with the mayor under which British companies are to be offered preferential terms for investment in Suzhou, which is 60 miles west of Shanghai, in return for co-operation on the city's development plans.

He expected UK companies to be involved in a full range of activities, particularly infrastructural projects such as power stations, telecommunications, and a clean-up of the canal city's water, as well in manufacturing investment and services.

The British presence would, in part, be a partnership with Singapore, which is building an industrial township to the east of the old city.

Mr Alan Barlow, a director of accountants Coopers and Lybrand, which has produced a report on the Suzhou plans, said: "We're piggy-backing on what the Singaporeans are doing."

Mr Needham said this triangular approach would also be appropriate in other parts of China, such as in Wuhan in central China, where Hong Kong companies are heavily involved, and in the eastern city of Fuzhou, where Taiwanese companies might be involved. He said there were similar opportunities in Bangalore, India, where Singapore is building another industrial park.

Mr Needham said Britain must make clear its long-term commitment to involvement in China's development, in order to counter suspicions about London's intentions after sovereignty over Hong Kong passed to China in 1997.

Failure to build on British investment in Hong Kong – which he estimated at £50bn – would be a devastating loss and put Britain's role a world power in question, he said.

Keeping politics out of the canal

Stephen Fidler on concern about its management by the Panama government in 1999

When some Panamanians look at what has happened to the railway that crosses their country, they despair of the prospects for the canal their government is due to take over at the end of the decade.

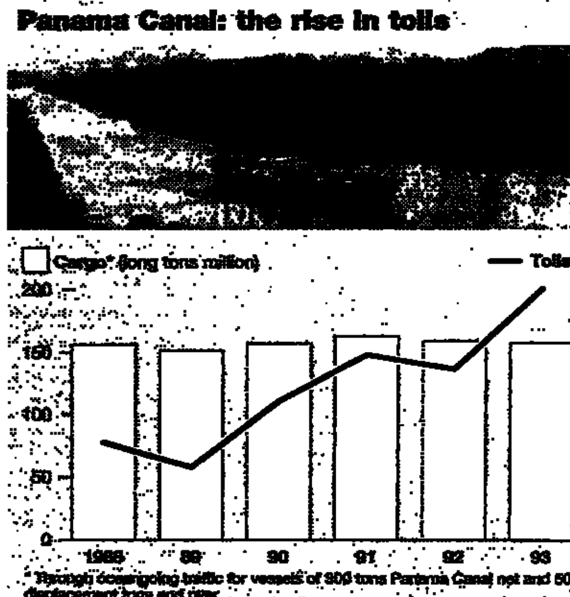
The railway, which connects Panama City on the Pacific Ocean with Colón on the Atlantic side, was handed over to the Panamanian government after ratification of the 1977 canal treaties between the US and Panama.

Handed over as a thriving concern, the railway is now virtually moribund. There is a nagging worry that the canal, in its 80th year of operation, may go the same way.

From the Panama Canal administration building at Balboa Heights, the inactivity of the railway can be clearly seen. According to Mr Gilberto Guardia, the canal's administrator and the first Panamanian to hold the post, the railroad serves as a useful reminder about what could happen if the management of the canal falls victim to political infighting.

"There is a legitimate concern over the deterioration of the railroad," he says. "Evidently it's an agency that had its share of mismanagement that was a result of its becoming politicised. From the point of the view of the canal, it's a great thing that that happened."

Panama Canal: the rise in tolls



* Through oceangoing traffic for vessels of 300 tons Panama Canal net and 500 displacement tons and over
** Actual figures revised to show total tolls collected instead of oceangoing commercial tolls
Source: Panama Canal Commission

Mr Ricaurte Vasquez, a former budget and planning minister, says the new government of Mr Ernesto Pérez Balladares, which will take office in September, "will have to send the world a signal that the canal will not be run as government has run things in the past."

Moves are already under way to do just that. Measures are before the Panamanian congress designed to ensure that the canal is isolated from Panamanian politics and run as an independent business after it is handed over at midday on December 31 1999.

To encourage this, the US administration is expected to ask the US congress to approve changes to the Panama Canal Commission. These changes would convert the commission to a government corporation, allow the greater use of independent external advisers from countries other than the US and Panama, and allow the canal board the final authority to set toll rates. President Bill Clinton said the aim of the proposals would be to "facilitate and encourage the operation of the canal through an autonomous entity under the government of Panama after the transfer of the waterway."

Whatever happens once the canal is transferred, it is not going to affect the way the canal is managed in the meantime, says Mr Guardia. "We are managing it as if it were not going to be transferred," he says. The canal's maintenance plan is continuing – it is programmed until the year 2005 – and a plan is going ahead to widen the canal at its narrowest point, the Gaillard Cut.

Work started in January 1992 on this $200m (£132m) project – which will allow two-way traffic 24 hours a day for the largest "Panamax" ships which can now, for safety reasons, only travel one way through the eight-mile channel during darkness.

Meanwhile, the canal is seeing the benefit of the revival of the economy in the US, officials say. Some 13 per cent of US trade still passes through the canal – despite the growth in container traffic across the US rail network – and the US remains the largest user of the canal. Revenues rose to more than $400m in the last financial year ending September 30 for the first time, despite a fall in tonnage through the canal, thanks to higher tolls.

Canal officials say that higher tolls have not been responsible for the fall-off in traffic since 1991 and assert that even if tolls were eliminated completely most container traffic now using the US rail network would still use the route. The highest tonnage ever went through the canal in 1982 – the year a new oil pipeline opened across the isthmus.

But no toll increase is planned for this year after the 10 per cent rise that took effect in October 1992. "We don't envisage a toll rate increase next year either," says the administrator. "There is a possibility that we may go through 1996 [without an increase] but it's early to say."

All Nippon, Delta agree to co-operate

By Michiyo Nakamoto in Tokyo

All Nippon Airways, the Japanese airline, and Delta Air Lines of the US have agreed to co-operate in marketing and other services in the first such extensive link between a US and Japanese carrier.

The agreement, which comes amid fierce competition over trans-Pacific air traffic, "will possibly lead to a definitive marketing and business relationship in the US and Japan," ANA said yesterday.

The Japanese carrier will co-operate with Delta through schedule co-ordination to facilitate connections between the two carriers, sharing of facilities and passenger handling and mutual participation in frequent flyer programmes.

The two companies will also explore opportunities for code-sharing and blocked-space arrangements in the US and the Asia-Pacific region centred in Japan.

Such arrangements would enable ANA to attract trans-Pacific travellers flying to US destinations to which ANA does not fly, by publicising easy transfer to Delta flights.

Delta would have similar benefits in attracting travellers from the US to Japan. It would also benefit from being able to use ANA's facilities, including reservation facilities, throughout the carrier's extensive network in Japan and Asia.

The deal highlights the increasingly competitive environment, particularly in trans-Pacific travel, where low-cost US carriers have taken market share from the leading Japanese carriers. Japan's airlines have seen their profits eroded in the country's economic recession and as competition from lower-cost carriers has increased.

"There is a limit to competing on your own," an ANA representative said. "There is a need to pull strengths together."

The agreement follows a history of friction between the US and Japan over their bilateral aviation accord, which Japan claims unfairly benefits US carriers at the expense of Japanese airlines.

Also at issue has been access in and out of Tokyo's busy Narita airport and Japanese flight frequencies to the US.

The agreement also reflects the growing interest US airlines have in expanding their operations in the Asia-pacific region, which is expected to be the most promising growth market for air travel in the near term.

Japan Air Lines, the country's largest airline, said that it could also strengthen its competitive position through a similar tie-up and confirmed that it is in talks with other airlines about such arrangements.

Recently JAL announced that it would be sharing flights with Air France from Paris to Osaka, when the new Kansai International Airport opens later this year.

All Nippon Airways is also understood to be discussing commercial links with British Airways.

NEWS IN BRIEF

Polish group to make Spanish cigarettes

Spanish cigarette brands will be made in Poland from this autumn under an agreement between the Tabacalera tobacco group and Polish state company ZPT Radom, writes David White in Madrid.

The accord marks the first foreign manufacturing investment by the partly-privatised Spanish company. It is the latest in a series of agreements between Polish cigarette manufacturers and international groups.

Tabacalera said it would spend about Pta750m (£3.64m) on the Polish project. Apart from licensed production of Tabacalera's Fortuna and Winns brands, the two companies plan to introduce a new brand through a joint venture 51 per cent controlled by the Spanish partner.

Tabacalera will supply packaging equipment and raw materials and will take charge of promotion, with the Polish company responsible for production and distribution. Tabacalera said Poland ranked eighth among world markets for tobacco products with one of the highest per capita consumption rates of 7.28 cigarettes per day, compared with 5.6 in Spain.

Further deals are under discussion in other foreign markets in an effort by Tabacalera to offset a gradual decline in domestic sales.

US, Japan to reopen glass talks

The US said yesterday it would resume negotiations with Tokyo over a glass trade dispute, Reuter reports from Washington. The office of Mr Mickey Kantor, US trade representative, said the two sides had decided to bring the flat glass sector under their trade framework negotiations.

In 1992 the Japanese government agreed to take steps to improve market access to the glass sector.

"Despite this commitment and concerted efforts by US and other foreign firms, imports into Japan from foreign flat glass manufacturers unaffiliated with Japanese glassmakers fell from 5.1 per cent in 1992 to 3.5 per cent in 1993," the office said.

Strong yen lifts car imports

Sales of the big three US carmakers in Japan have surged recently with the help of the strong yen and more aggressive marketing, writes Michiyo Nakamoto in Tokyo. Japanese sales of GM, Ford and Chrysler from January to May doubled from the same period last year to 16,531 units, according to the Japan Auto Importers Association.

While the yen's sharp appreciation has made US cars more affordable, the rise in sales was also helped by the greater awareness among Japanese consumers of US cars. Ford has launched prime-time advertising on Japanese TV and is putting the Ford name on dealers previously known as Autorama, which it owns through a joint venture with Mazda.

Toyota to buy more US-built parts

Toyota of Japan plans to increase its purchases of US-built parts by nearly 40 per cent in the next three years, AP-DJ reports from Detroit.

Nearly all the increases will be in parts used by Toyota's US manufacturing plants. The carmaker spent $4.65bn (£3.1bn) on US-built parts in the year ending in March 1994. Toyota projects that the total will reach $6.45bn for the year to March 1997.

"Growth will continue as long as American suppliers continue working to shorten their lead times, to raise their quality and to lower their costs," the company's international purchasing manager, Mr Koichiro Noguchi, said yesterday. He said there was considerable room for improvement. US suppliers met their deadlines for developing part prototypes only 47 per cent of the time in work on the new Toyota Avalon, which begins production in September.

IBM in Asian shake-up

IBM is to concentrate its south-east Asian computer processing operations in Australia, writes Nikki Tait in Sydney. The US company said that following a review of its requirements for the Asian region, it had decided to consolidate operations in two countries – Japan and Australia – instead of handling the work in each individual country.

A new centre, possibly in Sydney, will administer all IBM's business processing for the south-east Asian nations, ranging from customer ordering to maintainance. Government ministers said that the decision could lead IBM to boost investment in Australia by over A$300m (£144.2m) during the next five years and create up to 375 additional jobs.

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	A2	Residential	25.500
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	A4	Residential	14.500
	A5	Hotel	30.000
	UG	Car park/stores/tech bldg services	32.200
B	B1	Office/retail	20.000
	B2	Office/retail	2.700
	B3	Office/retail	11.500
	B4	Office/retail	18.100
	B5	Retail/residential	21.700
	B6	Office/retail	18.300
	B7	Office/retail	18.300
	B8	Residential/retail	18.500
	B9	Residential	10.600
	UG	Car park/stores/tech bldg services	107.000
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There will be a limited invitation to tender for the following services as part of a participation review under the control of VOD/A.

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The services will be awarded separately in accordance with headings 1 to 4.

The building sponsor reserves the right to select applicants without constraint.

It is planned to award the building services separately for individual buildings or groups of buildings.

Planned completion times:

Building C	January 95 - November 96
Building A2 - A5	May 95 - November 96
Building B5 - B9	July 95 - April 97
Building A1/B1	September 95 - June 97
Building D1 - D2	November 95 - February 97
Building B3-4	October 96 - May 98

Please enclose the following documents with the application as evidence of capability:

1. Turnover of company in last 3 trading years in relation to comparable services.
2. References with details of contract size and contract dates.
3. Number of employees broken down into occupational category.
4. Technical resources available.

Applications must be sent in writing by 24.6.94 to our company in charge of project control:

DREES & SOMMER AG
Projektmanagement und technische Beratung
Obentrautstraße 72
D-10963 Berlin
Tel.: 030/21 50 95-0
Fax: 030/21 50 95-20

Big rise in spending on research and development but still behind rivals as share of profits or sales

R&D growth ahead of world competitors

By Daniel Green and Clive Cookson

UK company spending on research and development is growing faster than that of its main international competitors and, for the first time in at least four years, faster than dividend payments to shareholders.

UK R&D spending rose 9 per cent to £7.1bn, according to the Department of Trade and Industry's R&D scoreboard, published today. It also shows that the UK has a long way to go before it catches other countries in terms of R&D spending as a proportion of sales, profits or dividends.

Mr Michael Heseltine, secretary of state at the Department of Trade and Industry, said the figures were "very encouraging" although "there is still some way to go to catch up with the world's best standards."

The scorecard measures R&D spending anywhere in the world by companies based in the UK.

The international top 200 companies devoted an average 4.85 per cent of 1993 sales to R&D, compared with 2.29 per cent for the 13 British companies in the group.

But the rise in the total R&D spend last year of the top 200 international companies was just 2 per cent, less than one quarter of the increase of the top 100 in the UK.

General Motors of the US was the world's biggest R&D spender with a budget of more than $4bn. It is followed by German engineering group Daimler-Benz, Ford Motor of the US and Japan's Hitachi.

Those three nationalities dominate the world's top 20 which has just one representative from France, the Netherlands and the Swiss-Swedish Asea Brown Boveri. The biggest UK spender, drug company Glaxo, is ranked 42nd.

However, the UK's pharmaceuticals industry stands out as central to the country's R&D effort. Four of the top six UK spenders on R&D are drugs companies (Glaxo, SmithKline Beecham, Zeneca and Wellcome) and the pharmaceutical sector carries out 31.8 per cent of all industrial R&D in Britain.

Among the top 200 international companies, the sector accounts for only 8.8 per cent of all R&D spending.

The UK performance in other areas is mixed. Engineering companies spent 10 per cent more than in 1992, led by Rolls-Royce and British Aerospace.

But electronic and electrical companies spending on R&D fell by 1 per cent. And spending by oil companies fell by 5 per cent. BP cut its budget by one quarter. Mr Heseltine refused to criticise particular companies for spending too little. "I would not seek to put my judgment as a politician into the minds of individual boards of directors."

Retail sales growth figures levelling off

By Gillian Tett, Economics Staff

Growth in retail sales levelled off in May compared with April, although the underlying trend points to a subdued rate of recovery.

The Central Statistical Office said yesterday the retail sales volume in May was a seasonally adjusted 3.9 per cent higher than the previous May.

This was slightly slower than April's figure, which was revised down yesterday to 4.1 per cent from the 4.4 per cent published last month.

But comparing the two months, the index showed the volume of sales was unchanged, after growing by 0.5 per cent in February and March.

The British Retail Consortium, the main industry body, yesterday made light of this flattening off and pointed out that the underlying trend remained positive.

Mr James May, director-general of the consortium, said: "This shows that consumers are still willing to spend in spite of the tax increases."

Measured on a three-month basis – an indicator economists believe is a better guide to the trend – retail sales grew by 0.9 per cent in the three months to May compared with the previous three months, and were up 3.9 per cent on the same period last year. This rise was spread fairly evenly across the sectors, with all the non-food sectors reporting rises of about 0.8 per cent in the three months to May, compared with the previous three months.

Food retailers reported a slightly better rise of 1.3 per cent during this period.

Within the last month, footwear and clothing was the most sluggish sector, with sales volumes falling by 1.7 per cent in May, after surging in April.

Economists said this dip was partly due to poor weather at the start of the month.

Household goods, by contrast, grew by 1.7 per cent last month, after falling back in April. In spite of this, the consortium said the furniture and carpets sector continued to be affected by the uncertainty in the housing market.

This was also undermining sales of DIY and electrical and electronic goods, the consortium added. Sales of televisions and hi-fi goods were up compared with last year, while white goods sold at the same level.

Retailers continued to face intense cost competition, with consumers remaining very price-sensitive, the consortium added.

This trend was most sharply indicated in the monthly household goods data, where the total value of sales fell by 3 per cent in spite of the growth in volumes. The figures were greeted with some relief in the City, where some analysts had feared sales might dip slightly after a Confederation of British Industry survey earlier this week reported retailers had become more pessimistic.

Mr Ian Sheperdson, UK economist with Midland Global Markets, suggested that one reason for the discrepancy between the CBI survey and CSO might be that the CBI survey gave more weight to the voice of smaller retailers.

Since large retailers were performing better than small ones, according to the CBI, this might explain why the tone of the CBI survey was less optimistic, he said.

The CrossRail project to create an underground link across London from east to west may have been thrown out by a parliamentary committee but work is continuing on the design of the £2bn link. A full scale mock-up of the train went on display in London yesterday. Attempts are being made to revive the project. Supporters have written to MPs urging them to back a motion to send the bill back to the four-man committee which originally rejected it. The project was turned down because of revised traffic forecasts and fears it would not attract private sector finance.

New skills sought in transport projects

By Charles Batchelor, Transport Correspondent

A new breed of entrepreneur able to master a wide variety of business skills will be required if the private sector is to be brought into transport projects, according to Mr Pen Kent, the Bank of England member of the government's private finance panel.

It was unreasonable to expect a single group to have all the skills needed to design, build, finance and operate transport projects such as road bridges or railway lines, he told a Financial Times conference, Transport in Europe.

The government had come a long way in its approach to the involvement of private finance but further changes were needed if private funding was to be found for the more than 100 projects in fields which also included health, education and prisons.

Treasury guidance on the private finance initiative issued earlier this year had still not fully sunk in throughout the public sector, he said. So many companies were being asked to tender for some projects that their combined costs of preparing bids were higher than the value of the contract.

Departments must also provide sufficiently detailed specifications of projects. But the private sector should not forget that civil servants were taking risks in agreeing contracts they might have to defend before the public accounts committee.

Sometimes public accounting conventions, including the government's insistence on not committing funds for more than one year, posed a real difficulty for the private finance initiative.

Britain in brief

700 sacked on Severn bridge project

Over 700 construction workers on the second Severn crossing were dismissed as they staged a 24-hour strike over pay. Work on the £300m bridge, between England and Wales, is expected to be at a standstill today.

The privately-financed bridge is being built by Severn River Crossing, a UK-French consortium with John Laing-GTM Entrepose as main contractor. Laing-GTM said last night letters had been posted to everyone who took part in the strike, telling them they were being dismissed for breaching their terms and conditions of employment.

The workers, members of Ucatt, TGWU and GMB unions, voted in favour of limited industrial action at the start of this month. They intended to stage a second 24-hour strike next week. Most of the men dismissed were working on the English side of the bridge, and about 100 on the Welsh side.

Net book judgment

The net book agreement, a pricing pact by publishers which prevents most books being sold at a discount, should not be allowed to continue, the advocate-general of the European Court in Luxembourg advised.

The opinion applies only to the trade in books between EU member states, and not to book sales within the UK. It could affect, in particular, books exported from the UK to Ireland.

The view of advocate general Carl Lenz is not binding on the European Court but the court's decisions are usually in line with its advisers' recommendations. A final decision is expected before the end of the year.

City cordon permanent

The experimental security barriers set up in the City of London in the wake of last year's Irish Republican Army bomb attack are to become permanent from today.

The City of London Corporation said the scheme had brought about a dramatic cut in the local crime rate, an improvement in traffic circulation, and a reduction in pollution.

ESOPs seen as big bonus

An overwhelming majority of non-quoted companies with employee share ownership plans (ESOP's) believe they improve their corporate competitiveness and the motivation of their workers, according to the annual survey published yesterday by the ESOP Centre.

More than four out of five managers say their employees are more productive because of the ESOP, a 75 per cent increase on the figure in the last survey in 1992.

Three in race for Labour

The contest for the leadership of the opposition Labour party, vacant after the sudden death of John Smith, will be between three MPs who have attracted enough nominations to enter an election. They are Tony Blair, 154; John Prescott, 46; and Margaret Beckett 42.

'Terriers' for Falklands

Soldiers from Britain's part-time volunteer Territorial Army serving in Northern Ireland are to be sent to the Falklands for a tour of duty for the first time.

The volunteers will enlist into the regular army for the tour and are expected to rejoin the TA on their return to Ulster.

Terminal for tunnel traffic

Work on the development of the Daventry International Rail Freight Terminal should start by the end of the year, following the decision of the Department of Environment not to subject the project to a public enquiry.

Daventry District Council has already stated it is prepared to grant planning permission for a rail port with 2.3m square feet of manufacturing and distribution space.

Abbcott Estates, the developer, in which Severn Trent Water has a majority stake, said the finished scheme would have a value of £140m. The terminal will compete for Channel tunnel traffic with Hams Hall, near Birmingham, being developed by Trafalgar House and PowerGen.

French forum for Teeside

A French Business Council, based in Teesside, north-east England, has been set up to improve commercial, training and educational links between the region and the French-speaking world. The Department of Trade and Industry is providing financial support for the council's first three years.

Tory Party chief to quit

Sir Norman Fowler is to stand down as Tory Party chairman but will carry on in the job until his successor is named, he announced yesterday. He pledged to John Major that he would give him "the sturdiest possible support from the backbenches through to the next election and beyond". This was an indication that John Major's critics on the Conservative benches will have to face a counter-attack from Sir Norman and other loyalists.

Vote for women priests

Scottish Episcopal Church today voted in favour of ordination of women at annual general Synod in Edinburgh.

Spurs to appeal against FA penalty

By William Lewis

Mr Alan Sugar, chairman of English football club Tottenham Hotspur, last night got board backing for his appeal against the Football Association's penalties for financial irregularities.

He has decided to appeal against the £600,000 fine, points deduction and FA Cup expulsion – even though it opens up the possibility of a more severe penalty from the FA.

Yesterday's moves came after the FA found that Spurs had contravened association rules in making interest-free loans – allegedly totalling more than £400,000 – to players between 1985 and 1989.

Mr Sugar said yesterday: "I have been shocked by the manner in which this club has been dealt with for what I consider to be coming clean."

If the club's appeal against the FA punishment fails Spurs will seek an independently chaired arbitration hearing, as permitted by FA rules.

But Mr Sugar ruled out the possibility of subsequent court action on the issue. "At that point we will have to accept the outcome," he said.

However, Mr Sugar said he would consider suing the FA if it failed to investigate loans and *ex gratia* payments made to players by other Premier League clubs.

He said he knew of two clubs that had recently settled claims with the Inland Revenue, one for about £1m, and two others that were in the process of being investigated.

The FA inquiry centred on loans made to players before Mr Sugar took over the club in 1991. However Mr Sugar admitted yesterday that after being told of the loans he delayed two years before notifying the FA in September 1993.

Lib Dems in legal challenge to poll defeat

By Roland Adburgham, Wales and West Correspondent

The Liberal Democrats, Britain's second opposition party, are taking legal action to have the result of last week's European parliamentary election in Devon and Plymouth East declared void.

The seat was held by the Conservatives with nearly 75,000 votes, a majority of 700 over the Liberal Democrat Mr Adrian Sanders. But a candidate calling himself a Literal Democrat polled more than 10,000 votes. The Liberal Democrats believe the "lookalike" confusion deprived them of what would have been their third European seat.

Mr Graham Elson, the party's general secretary, said yesterday "several hundred" people had already said they had been misled into voting for the Literal Democrat, Mr Richard Huggett.

"Many people in the constituency feel cheated – that they had their votes stolen from them by Mr Huggett and were disenfranchised," he said.

The Liberal Democrats, after advice from counsel, are to issue an election petition against Mr Frank Palmer, the returning officer, and against the winning candidate, Mr Giles Chichester. A hearing by the electoral court – presided over by two High Court judges – might take place within weeks. If the petition is successful, the court could order the election to be rerun.

Mr Piers Coleman, solicitor for the Liberal Democrats, described an electoral petition as an "extremely rare phenomenon which is treated by the courts with the utmost priority". He believed the last successful petition after a parliamentary election was in 1952.

Mr Palmer, chief executive of South Hams district council and a returning officer for nine years, said yesterday: "I felt the nomination was validly submitted and I did not have the power to invalidate it."

Advice to returning officers was that the candidate's description must not be more than six words nor obscene, but there was no copyright over party names.

Before the election, a High Court challenge by the Liberal Democrats to Mr Huggett's nomination was unsuccessful.

The last occasion on which the courts overturned the outcome of a parliamentary election was in July 1961 when Mr Tony Benn was barred from the Commons after inheriting the title of Viscount Stansgate.

Euro-poll 'backs Ulster peace plan'

By David Owen

Sir Patrick Mayhew yesterday claimed that last week's European elections had given London a democratic mandate for pressing ahead with efforts to forge a lasting political settlement for Northern Ireland.

On the eve of today's intergovernmental conference between British and Irish ministers in Dublin, the Northern Ireland secretary told MPs that more Ulster voters had voted for candidates "supportive of or acquiescent in" the Downing Street Declaration than for candidates who opposed it.

Last week's poll was topped by Rev Ian Paisley, leader of the hardline Democratic Unionist party, who chose to run his campaign as a referendum against the declaration. But his majority over Mr John Hume, leader of the mainly Catholic Social Democratic and Labour party, was much reduced.

Mr Paisley nevertheless claimed earlier this week that he had achieved what he set out to and he wanted an urgent meeting with Mr John Major, the prime minister.

Today's conference, which will be attended by both Sir Patrick and Mr Michael Ancram, Northern Ireland minister, is expected to focus on making further progress on a framework they hope to complete in time for an Anglo-Irish summit in mid-July.

The two sides have made good progress on the document, which is designed to help forge a durable political settlement in the province by spurring political talks involving Ulster's main constitutional parties.

But potential sticking-points have emerged over whether the agreement should contain an explicit commitment by Dublin to rescind its constitutional claim over Northern Ireland and whether it should set out a specific blueprint for the future, or simply provide a starting-point for, new talks.

Sir Patrick was supported yesterday by Mr Kevin McNamara, opposition spokesman on Northern Ireland, who called for republican leaders to renounce violence in view of the "strong mandate" the elections had given to parties seeking peace.

Sinn Féin, the IRA's political wing, saw its support advance by 1 percentage point to 10 per cent.

Go-ahead for dairy industry shake-up

By Deborah Hargreaves

The British government yesterday gave the go-ahead for the biggest shake-up in the dairy industry in England and Wales for 60 years by approving plans to liberalise the £3.3bn milk market.

The announcement ends six years' of uncertainty over plans for the dairy sector after the future of the Milk Marketing Board was first questioned in 1988. Mrs Gillian Shephard, agriculture minister, approved a scheme by the milk board to set itself up as a voluntary farmers' co-operative called Milk Marque. This leaves dairy companies free to buy their milk directly from farmers from November 1.

But Britain's dairies still held reservations about Milk Marque's plans for sales under the new market rules fearing the co-operative would retain too dominant a position. The Dairy Trade Federation which represents dairy companies, has threatened legal action.

Mrs Shephard recognised purchasers' concern that Milk Marque might abuse its dominant position, "but the competition authorities will be monitoring them very closely from the start of operations and there is no reason for Milk Marque to act unreasonably," she said.

Farmers which have already signed up with Milk Marque have a 2-week cooling off period to reconsider, but most dairies expect the new co-operative to gain control over at least two-thirds of supply.

Mrs Shephard said that consumers should not expect to pay a higher price for milk under the new market rules even though farmers were expecting price increases.

Mr Andrew Dare, chief executive of Milk Marque, agrees that there will be slight increases in prices to farmers on average "not miles beyond the rate of inflation." He said British farmers received below-average EU prices.

Supply continues to be constrained by EU quotas which will tend to push prices higher but Mr Dare said imports would be sucked in from the continent if prices rose too high. The next 4 weeks will see a scramble in the dairy industry to secure milk supplies.

Red-hot sales for small company with big aims

Diane Summers gets a taste of the UK's fastest growing brand

"Pukka People Pick a Pot of Patak's," runs the television advertising for Patak's Indian foods, which range from pickles and pastes to ready-to-eat mini-pappadums.

Indeed, so many pots of Patak's were picked from supermarket shelves during last year that the small Wigan-based family firm found itself in the unlikely position yesterday of owning the UK's fastest-growing consumer goods brand.

Patak's achieved a red-hot 92 per cent growth in retail sales in 1993, according to figures collected by Nielsen, the market intelligence company, which were published in the trade magazine Marketing's annual Biggest Brands survey.

Says the magazine: "So used are we to seeing the Procter & Gambles and Unilevers dominating Biggest Brands that it comes as something of a shock to discover that our fastest-growing brand this year is owned, not by a multinational with an advertising budget to match, but by a family-owned foods company with a TV presence you'd need tracker dogs to find."

Procters had to be content with second place on the list of fastest-growing brands, with 77 per cent growth for Always, its sanitary towels with "wings"; third, with 45 per cent growth, was Eternity, the Calvin Klein fragrance for men.

Compared with the big boys, Patak's sales are tiny: trade estimates put the company's annual turnover at £15-20m, about one-third of that going in overseas business. This compares with the number one retail brand, Coca-Cola, which had sales of over £411m in the UK alone last year and spent an estimated £9.1m on advertising, compared with Patak's £500,000.

But while some of the largest food brand names strive to inject a home-made, family feel into their mass-produced products, Patak's can justly claim to be the real thing. The company was founded in the 1950s by the father of the current chairman, Mr Kirit Pathak, and is still entirely family-owned.

Mr LG Pathak began by selling samosas from home to raise money to buy his first shop. The business expanded into pickles and chutneys and, although it has now risen to the number two Indian foods brand and has about 200 employees (Sharwood's, owned by conglomerate Tomkins, is the leader), Kirit Pathak's wife, Meena, still directs recipe development.

The company reckons to supply 90 per cent of the UK's Indian restaurants, as well as becoming an increasingly familiar name on the shelves of the largest retailers.

Patak's surge in growth came a year or so after the company took on its first non-family director, Mr David Page, in 1991. Mr Page, who formerly ran Campbell's grocery products in the UK, met Mr Kirit Pathak at a dinner party and ended up as managing director. Deciding initially to spend money on TV advertising was, says Mr Page, "the big pill for us to swallow in terms of costs" but it gave the company the boost it needed.

"We're big believers in 'if it ain't broke don't fix it'. We intend to continue with exactly the same strategy," he says.

MANAGEMENT

CHRISTOPHER LORENZ

Learn the lessons of history

Unlike their counterparts in politics, the armed forces and the legal profession, many business leaders would agree with Henry Ford that "history is bunk". They see little use for it. The loss is theirs – and that of their employees and shareholders.

If Kenneth Olsen, founder and former head of Digital Equipment, had had a better grasp of America's 19th century industrial history, his company might not have plunged into the deep trouble in which it is now struggling. The same is true of IBM, Kodak and a string of other leading companies on both sides of the Atlantic that are having to go through fire to replace obsolete technologies.

They are suffering from a phenomenon that has plagued successful large enterprises at least since industrialisation began: the tendency to react inappropriately to a technology or other kind of radical innovation that threatens their core business.

Some companies fail to notice an innovation until it is too late. Others reject it, re-investing desperately but usually ineffectively in their existing technology or business. Still others embrace it, but only half-heartedly.

Whatever their reaction, the net result is what James Utterback, a professor at the Massachusetts Institute of Technology, calls the disturbing regularity with which leading companies "follow their core technologies into obsolescence and obscurity".

In different ways, Digital and IBM both mishandled the emergence of personal computers, under-rating vastly the impact that PCs would have on their mini and mainframe businesses.

Digital then compounded the problem by its schizophrenia towards new Risc (reduced instruction set computing) architecture for computer workstations. It was slow to move into it and, torn by its long commitment to its old VAX technology, continued to make parallel investments in the latter for far too long. As a result it was torn by indecision and turf warfare. By contrast, its smaller arch-rival Sun Microsystems broke single-mindedly with its old workstation technology and prospered.

Digital was probably more at fault than most companies. For, as Utterback shows in a fascinating and very readable new historical study* of how companies can seize the initiative in the face of technological change, one of the most instructive past examples occurred in Digital's own Massachusetts backyard.

Over the four decades to 1860, the New England ice-cutting industry built a formidable delivery business across large swathes of America. The New Englanders invested steadily in so-called "incremental" innovation, improving their processes and productivity sharply.

But then a threatening "radical" innovation arrived: mechanical

In many industries radical innovations almost always come from outside the industry

ice-making machines from France, which allowed the product to be made near its markets. Over the next 30 years machine-made ice took over from the natural variety, even though the cutters ploughed more resources than ever into process improvements. But they steadfastly refused to embrace the new. None even experimented with carrying their ice south in refrigerated ships.

Utterback's book is full of such examples. They include the self-defeating ways in which companies and their famous leaders – even the redoubtable Thomas Edison – reacted to successive 19th-century innovations; how Remington came to dominate the new typewriter industry only to cede leadership to IBM 80 years later when the electric age arrived; and the near-lethal resistance of Goodyear and Firestone to Michelin's radial tyre technology in the 1970s.

Only in what Utterback calls non-assembled products, such as tyres, glass, and other continuous processes, do incumbents such as Michelin have a good track record in either pioneering the new, or switching to it when under threat.

Utterback's analysis offers many other lessons for the hard-pressed modern manager. They include:

- Radical innovation is uncomfortable, but vital. If a company does only short-term, incremental innovation, it is failing to prepare for the future. It is hastening the inevitable decline of its business.
- Most radical innovations are less surprising than they seem. They exist in embryo for many years before they become commercially significant, and are based on well-known technical information or components – which defending companies sometimes possess themselves.

Yet in many industries radical innovations almost always come from outside the industry. So "benchmarking" and the collection of competitive intelligence should not be limited to industries resembling one's own. Instead, new company activity in other fields should also be monitored.

- It is hard enough for a company to follow a "dual strategy" of defending its old technology and developing the new. Doing so in the same part of the organisation is a recipe for conflict and suppression of the new. Part of the solution is to establish a separate and very independent unit.

The trouble is that most such units have always suffered an unfortunate fate, which Utterback does not discuss. The moment they have shown signs of success, they have tended to be wrapped back into the main organisation, and their innovative drive stifled rather than spread.

IBM might not be in quite such a mess today if, instead of following this predictable pattern, it had given its originally independent PC unit longer life, and cloned the same approach for other innovations. But, like Olsen, IBM's recent leaders never bothered to learn such lessons from history.

* *Mastering the Dynamics of Innovation. Harvard Business School Press. $24.95*

Colin Beale

De Bono: "The standard way of discussion is to discover the truth by naming an untruth. My method gets away from that"

Put on your thinking caps

Edward De Bono tells **Lucy Kellaway** about the benefits of his new Six Hats approach to meetings

Edward de Bono can barely keep the scorn from his voice as he dismisses the teachings of Socrates, Plato and Aristotle. The Gang of Three, as he calls them, have locked western societies into rigid patterns of thought that have sapped our energy and creativity, leaving us ill-prepared for a world that is changing rapidly.

Luckily there is a saviour in sight – in the shape of de Bono himself. The man who introduced the world to lateral thinking has come up with a new process, the Six Thinking Hats, with which he feels he has trumped the classical philosophers once and for all.

Sitting over a glass of water at the Criterion Restaurant in London he fires off a description of the Six Hats, impatiently shrugging off questions, especially the sceptical ones. These hats promise to make every manager – nay, every human being – more effective, he says.

By making all participants think in parallel the system can cut meeting times in half. For the average manager, who spends 40 per cent of each day in meetings, the savings could mean the equivalent of an extra day a week.

The six hats are already well established in the US. IBM, Du Pont and Federal Express wear them. So does the Mormon Church. In Japan NTT has been converted to six-hatted thinking, as has Marzotto in Italy.

But in the UK they are still pretty obscure, hence the thinker's flying visit. On Tuesday night he packed the Institute of Directors to explain the principles to business leaders and a few politicians. "The Six Hats are a fundamental change in the basis of western thought," he explains. "The standard way of discussion is to discover the truth by naming an untruth. This is very limited. My method gets away from that to parallel thinking."

The method may be revolutionary and universal, but what exactly is it? De Bono explains that each hat has a colour and stands for a particular thought process.

The white one is for gathering information. The red is for feelings and emotions. The black hat is for caution, criticism and assessing risks. (British people are particularly fond of this one, he says, and warns that it should not be over-used.) The yellow one is for looking at benefits and for studying feasibility. The green hat is for new ideas and possibilities. And the blue one is the "meta" hat which manages the whole thinking process.

At any one time everyone in a meeting wears the same colour hat, and together they work through the colours to consider the issue from every angle.

De Bono is unimpressed by any suggestion that his hats are just a gimmicky way of describing what we do anyway. "I did an experiment of 250 executives in Canada. I divided them into two groups, and asked one to judge a subject, and the other to judge it wearing the Yellow Hat for 2 minutes and the Black Hat for 2 minutes."

The group that used the hats performed three times as well as the other group, which looked at the pros and cons in an undisciplined way. "The chemical setting in the brain is different when thinking positively and negatively. If you try to do both at the same time you do not do either properly," he explains.

But might not some people find it irritating to be told what sort of hat to wear? Not a bit of it, he says, the hats help people think better, and as as soon as they realise the advantage there is no stopping them.

Apparently at the Prudential in Canada the hats have been woven into the carpet. At Marzotto in Italy there are hat posters plastered over the walls.

By getting all participants to think in parallel the discussion becomes faster, the final decision clearer. Everyone uses their full intellectual horsepower, as each person is forced to be positive, negative, creative and so on. The hats also do away with egos and politics, as there is no scope for people to block ideas by wearing the black hat throughout.

Asking people to wear different coloured hats may bring out thoughts that would otherwise have been suppressed. At a meeting of US senior executives from Rothmans, the tobacco multinational, De Bono asked whether the company should set up clinics to help people stop smoking. With red hats on, two thirds said it was a good idea. "That would never have emerged in an ordinary discussion. They may not want to set up a clinic now, but may keep it for next time they are really under pressure," he says.

He claims his system translates into all cultures: in Japan it allows subordinates to express their feelings or to point out a danger, in a way that would otherwise be unthinkable. At The Sowetan, a South African newspaper, it has been used as a way of discussing complicated emotional issues without becoming too bogged down.

De Bono thinks the Six Hats may gain an even greater hold than his earlier work because it is both simple and universally applicable. Indeed, it is so big that he feels he cannot carry it alone. "If it just depends on me, then I am restricted on the time I am available and on price." He has decided to franchise his ideas, and has already licensed 200 trainers in the US to spread the gospel. This week he announced that Svend Holst, a training consultant based in Buckinghamshire, will be his UK disciple.

De Bono thinks the system goes far beyond meetings between managers: politicians and families could wear the hats to advantage. "I'd like to see Parliament using it," he says, giving his only smile of the interview. This is meant to acknowledge that he cannot see it happening. I'm not so sure: I can just hear Betty Boothroyd, the speaker of the House, saying: "Will Right Honourable members now put on their Green Hats."

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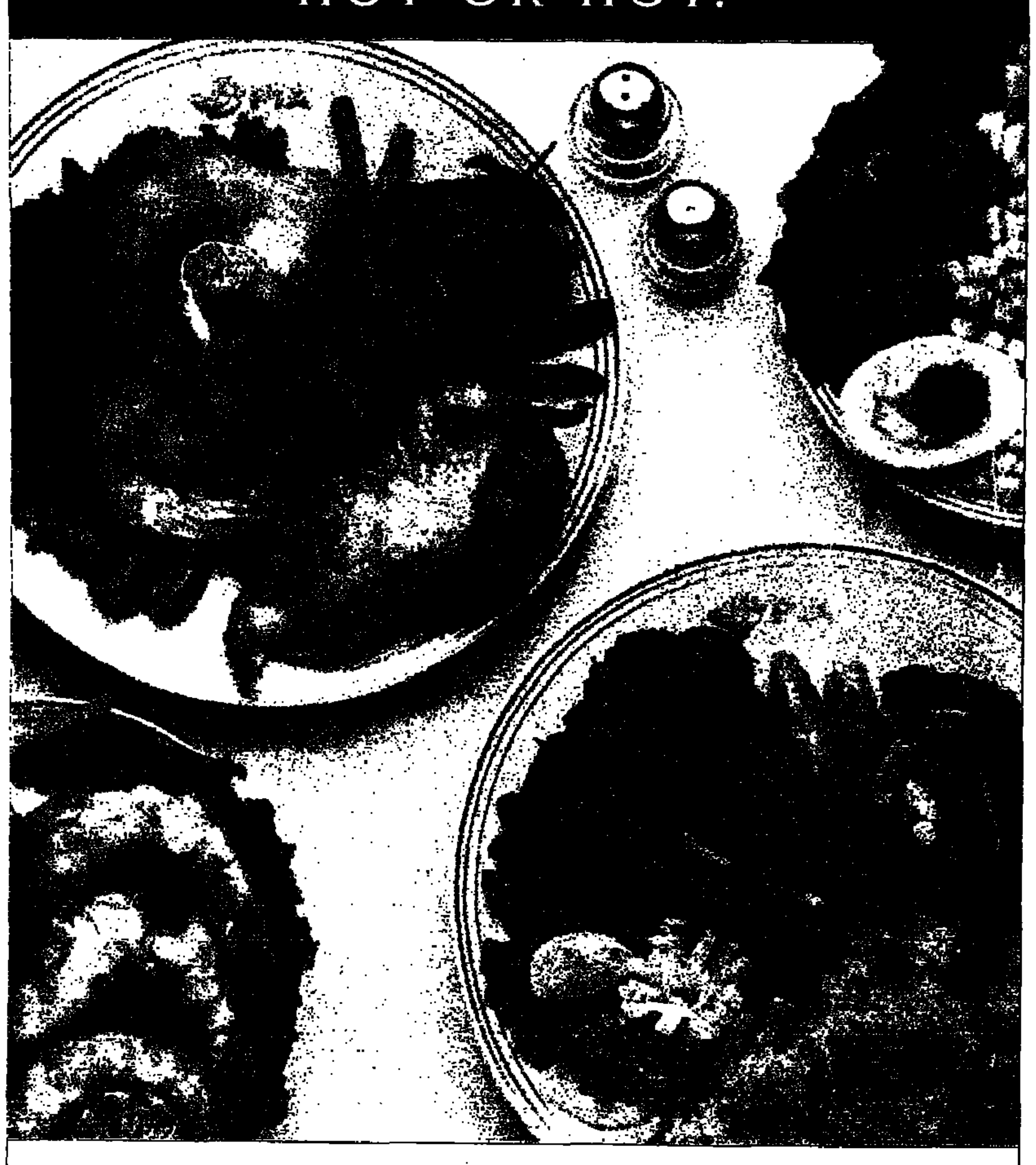

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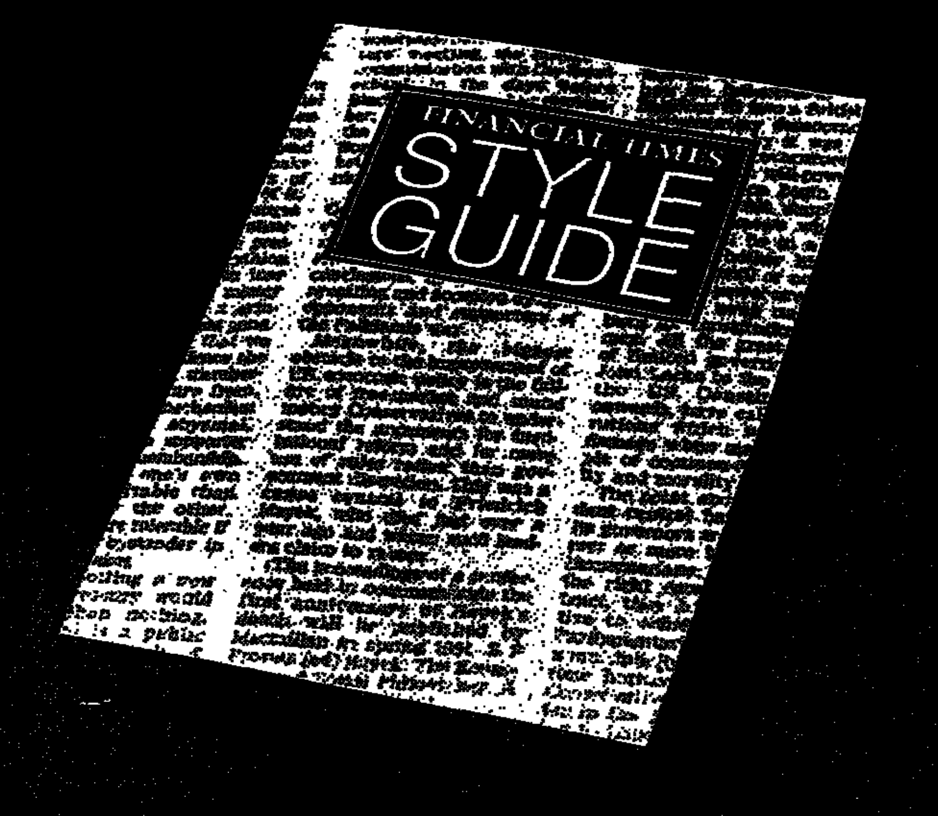

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PROPERTY

BT's big sell-off

Vanessa Houlder on the UK group's property disposals

The root-and-branch overhaul of BT's property portfolio promises to be one of the most thorough ever attempted in the UK.

BT, which owns three-quarters of the 75m square feet of space it occupies, has the third largest corporate property portfolio in the UK. But by 2010, it wants to dispose of virtually all its property which is, or will have become, obsolescent.

"In the UK we have too much of the wrong quality of space located in the wrong location costing too much to run," said Mr Alan White, BT's group property director.

BT's running costs for its properties total £1.1bn a year, its third largest expense after salaries and depreciation. "It was not until the end of the 1980s that there was a realisation that property cost what it did. It came as quite a shock," said Mr White.

The telecoms group believes it now has the opportunity to slash its property costs. It has embarked on a big rationalisation programme which will reduce its workforce from 240,000 in 1987 to about 110,000 by 1998. Moreover, BT believes it will be able to reduce its operational sites – such as telephone exchanges – from 6,000 to 500 within the next 10 years.

A smaller workforce will cut BT's property requirements. The company plans to reduce its property portfolio from 75m sq ft to 15m sq ft by 2010, slashing annual running costs from £1.1bn to £200m. Over the past two years the company has shed some 5m sq ft of space; it will continue to sell between 3.5m sq ft and 4m sq ft a year for the next 10 years.

Virtually all of BT's buildings are up for sale – the most marketable, as well as those which are known to be surplus. "We are prepared to be flexible," said Mr White. Disposing of such a large amount of space is a daunting task, particularly where obsolete buildings are concerned. "It is not as if we have something that people want," he added.

BT has made its priority the examination of those properties that pose "the greatest threat and opportunities" in terms of runnings costs, according to Mr White. It first concentrated on high-cost units and, in particular, looked at properties with long leases, where leases were ending, where there was a notice to break a lease and where there was a sub-leased property.

The company is also looking for quick routes out of leases. It is taking advantage of opportunities to sell leases to adjoining owners wanting more space, to developers and to freehold owners seeking to gain possession in order to redevelop or to release for higher returns.


Trevor Humphries
Slashing property costs: BT headquarters in the City of London

On its leased buildings, for example, BT will sometimes seek to persuade landlords to cancel leases for a one-off payment of advance rent, although, as Mr White said, "it is not an easy process to persuade people to give up a triple A covenant."

More radical proposals are also being studied. BT has examined the possibility of disposing of a mixed package of properties to investors or, even, spinning off the entire portfolio to BT shareholders under separate management.

"There is no doubt that at this current stage of the UK real estate investment cycle such a route for corporations with large portfolios looks attractive," said Mr White.

The disposal of large quantities of property also presents organisational problems. As jobs are shed there is a continual need to rearrange staff within and between offices.

'We've always had a strong presence in London, but today it is no longer necessary'

The disruption caused by these office moves is tempered by BT's attempts to upgrade offices before it transfers staff. "I think our popularity [with staff] is improving," said Mr White. "We are moving people to a better office environment. We are persuading them by a carrot rather than a stick."

Senior managers of business units within BT are encouraged to co-operate with the property division, particularly as their business plans contain rigorous targets for reducing property costs.

According to Mr White, a measure of the importance with which the group treats property is that BT's chief executive reviews portfolio performance quarterly, while the chief financial officer reviews the portfolio at least monthly.

As well as cutting property costs, BT believes its property portfolio overhaul should change the company's culture and improve productivity. It believes that by transferring people from old-fashioned to more modern offices "people can jettison out-moded ways of working and bring in new practices and procedures".

BT is keen to introduce new working arrangements such as flexible working, desk-sharing, working from home and video conferencing, which it believes will save above 1m sq ft of office space over the next decade. "For many people, being tied to one office, five days a week, could become a thing of the past," said BT.

The company is also keen to bring its staff together in functional groups, according to their specialist skills rather than their business units.

These ideas – known collectively at BT as "Workstyle 2000" – are due to be tested at the company's prototype office at Apsley, Hertfordshire, in southern England, where 1,300 marketing and sales staff will be relocated in the autumn.

The Apsley premises feature open-plan offices around an atrium, large multi-purpose areas for communal activities, a restaurant and conference and video-conferencing room.

If Apsley is a success, BT plans to move 10,000 people out of central London to similar offices around the M25 orbital road over the next 25 years. Although there is little difference in rents between inner and outer London premises, BT believes that moving out-of-town could drastically cut service charges.

BT's plans to move out of London is a measure of its belief that new technology will change the way that people work. "Historically, we have always had a strong presence in the capital, but today that is no longer necessary," said BT. "Our communications technology has given us greater freedom to site many of our offices wherever we choose," it added.

PEOPLE

Provincial continues family tradition

Provincial Group, the family-controlled financial services group founded by Sir James Scott in 1903, has appointed its latest chairman from the Scott family. It disclosed yesterday that 34-year-old Alex Scott has taken the post.

Scott succeeds Tim Shakerley, another family member, at the head of Provincial, which owns Provincial Insurance, one of the largest privately-owned UK insurers, as well as Exeter Bank, which makes loans to small businesses.

He was appointed a director in 1989, and has been deputy chairman since 1991. He has also worked at Thames Water as investor relations manager, and Jardine Fleming Holdings in Hong Kong in charge of corporate communications.

Scott, great grandson of Sir James and son of the president and former chairman Sir Peter Scott, also becomes chairman of Provincial Insurance. Tim Shakerley retires after 17 years in the post.

Scott says his role as chairman is partly a traditional one of overseeing management strategy, and partly as a representative of family shareholders. The Scott family controls over 80 per cent of Provincial equity.

"I don't think we have had problems in being family-owned, although there is always a potential for tension between the company's owners and its managers. As long as we recognise that, I think it is perfectly manageable," he says.

Scott, who studied Philosophy, Politics and Economics at Exeter College, Oxford, says he "would not claim to be an expert on insurance" but has learned management skills from working with senior directors of large companies.

He says it is "difficult to say exactly whether my role is executive or non-executive" but he will spend the first few months trying to learn how best to combine the family's twin responsibilities as shareholders and senior managers.

Finance moves

■ **Stephen Edell** has been appointed the first ombudsman of the Personal Investment Authority. He will consider complaints against member firms of the new investment regulator. Edell, 61, who qualified as a solicitor, set up the office of the Building Societies Ombudsman in 1987.

■ **Michael Hope-Lewis**, the former chairman and founder director of Smith New Court Far East in London, has joined the group management board of BARING SECURITIES. He will advise on the development and marketing of global research with particular emphasis on South East Asia.

■ **Tony Mallin**, vice-chairman of Hambros Bank and vice-chairman of Leaseurope, has been appointed to HAMBROS' board.

■ **Neil Williams** has been appointed director of bond market research at UBS.

■ **Michael Eddy** has been appointed a director of MATHESON Securities.

■ **John Maher**, formerly global marketing director at Hill Samuel, has been appointed director of marketing at LOMBARD ODIER.

■ **Jamie Sheldon and Evelyn Wright** have been appointed directors of GERRARD & NATIONAL HOLDINGS.

Hamish Grossart takes third chair

Hamish Grossart is to become chairman of Hicking Pentecost, the quoted Cardiff-based textile and industrial products group. It is a non-executive job which he will do alongside the task he took on in January of chairing and sorting out Ashley Group, the window blind company which had hit trouble with a Spanish acquisition, as well as being chairman of EFT, the Glasgow-based asset finance company he helped found.

The 37-year-old Glaswegian corporate finance specialist has long been intent on pursuing a career outside the orbit of his better known uncle Angus Grossart, chairman of the merchant bank Noble Grossart and a man with his finger in many Scottish pies.

Hamish worked at Noble Grossart for a time before creating EFT in 1987. He had intended to make it a mini financial conglomerate, eventually spreading from Scotland to London. But the corporate finance arm withered in the recession and closed in 1992, and the fund management subsidiary was sold, leaving asset finance. Grossart moved up to become non-executive chairman and sought other outlets.

Until last month he was chairman of Quality Care Homes, the nursing homes group which he took public in 1992. He has been involved with Hicking Pentecost since 1991 and organised its recent £9m acquisition of Barbour Campbell, a former Hanson offshoot. "It's virtually Wales's only successful quoted company," he says, and points out that its market capitalisation has risen tenfold since 1990.

Grossart sees his speciality as helping companies with "financing, City relations, management structure and problems of growth and development, but not deciding how many cans of beans go out each day". He is also on the boards of Scottish Radio (formerly Radio Clyde) and British Thornton, the quoted furniture and drawing equipment company.

Constructive careers

Mark Creedy has been appointed as managing director of Chartwell Land, the property subsidiary of Kingfisher, the retailing group.

Creedy, who is currently a director of Chartwell Land responsible for investments, will replace Alan Jones who left last month to set up his own property business.

The job involves taking responsibility for Chartwell Land's investment and development activities. In addition, Creedy will hold joint responsibility for the management of property initiatives and services across the Kingfisher Group.

Before joining the group in August 1991, Creedy held directorships with Stockley and B&C Properties, a subsidiary of British & Commonwealth Holdings.

■ **John Rogers** has been appointed divisional director of Denco, part of AMEC, on the retirement of Reg Green.

■ **David Laidlaw** has been appointed contracts director of MORGAN LOVELL LONDON; he moves from John Lelliott Group.

■ **John Richards** has ben promoted to finance director of the MILLER GROUP.

■ **David Tilston**, formerly group treasurer of MEYER INTERNATIONAL, has been appointed business development and marketing director of its subsidiary Jewson.

■ **Peter Gregory** has been appointed chairman of LAING Management Scotland and LAING MANAGEMENT for the whole of the UK; he is succeeded as md of Laing Management Scotland by Bernard Ainsworth.

■ **Richard Swinson** (below left), md of RMC's Roadstone and Building Products Division, has been appointed to the main board.

■ **Keith Perry** (below right), formerly finance director of BOVIS Abroad, has been appointed md on the retirement of David Johnson, who will remain a non-executive director.

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Spending up as drugs dominate

Clive Cookson looks at an international comparison of R&D investment

The fourth annual R&D Scoreboard sponsored by the Department of Trade and Industry gives the most encouragement so far to those who believe that UK industry must spend more on research and development if it is to compete more effectively in world markets.

The scoreboard, published today, shows that listed British companies raised their R&D spending by 9 per cent to £7.1bn in 1993 – a rate of increase that comfortably outpaced both inflation and the UK's main international competitors. The world's top 200 companies spent just 2 per cent more on R&D last year.

Cynics may point out that British industry's increase in R&D spending does no more than match its 9 per cent rise in sales. But the robust sales performance was achieved largely overseas (and resulted mainly from the depreciation of sterling against other currencies) whereas UK companies carry out most of their R&D at home. Therefore the figures do show a real improvement in the country's industrial R&D performance.

And, for the first time since the scoreboard started four years ago, companies expanded R&D spending by more than they increased dividend payouts to shareholders. Although the difference was only slight – dividends grew by 8 per cent – it was a step in the right direction for those who believe that UK industry is putting its long-term competitiveness at risk in order to keep short-term investors happy.

The UK has far to go, however, before it even comes close to matching other countries in its spending on R&D in relation to sales, profits or dividends. The international top 200 companies as a whole devoted an average 4.85 per cent of 1993 turnover to R&D, compared with 2.29 per cent for the 13 British companies in the group. The most impressive national performances came from Sweden (7.26 per cent of sales), Germany (6.80 per cent), Switzerland (6.78 per cent) and Japan (5.90 per cent).

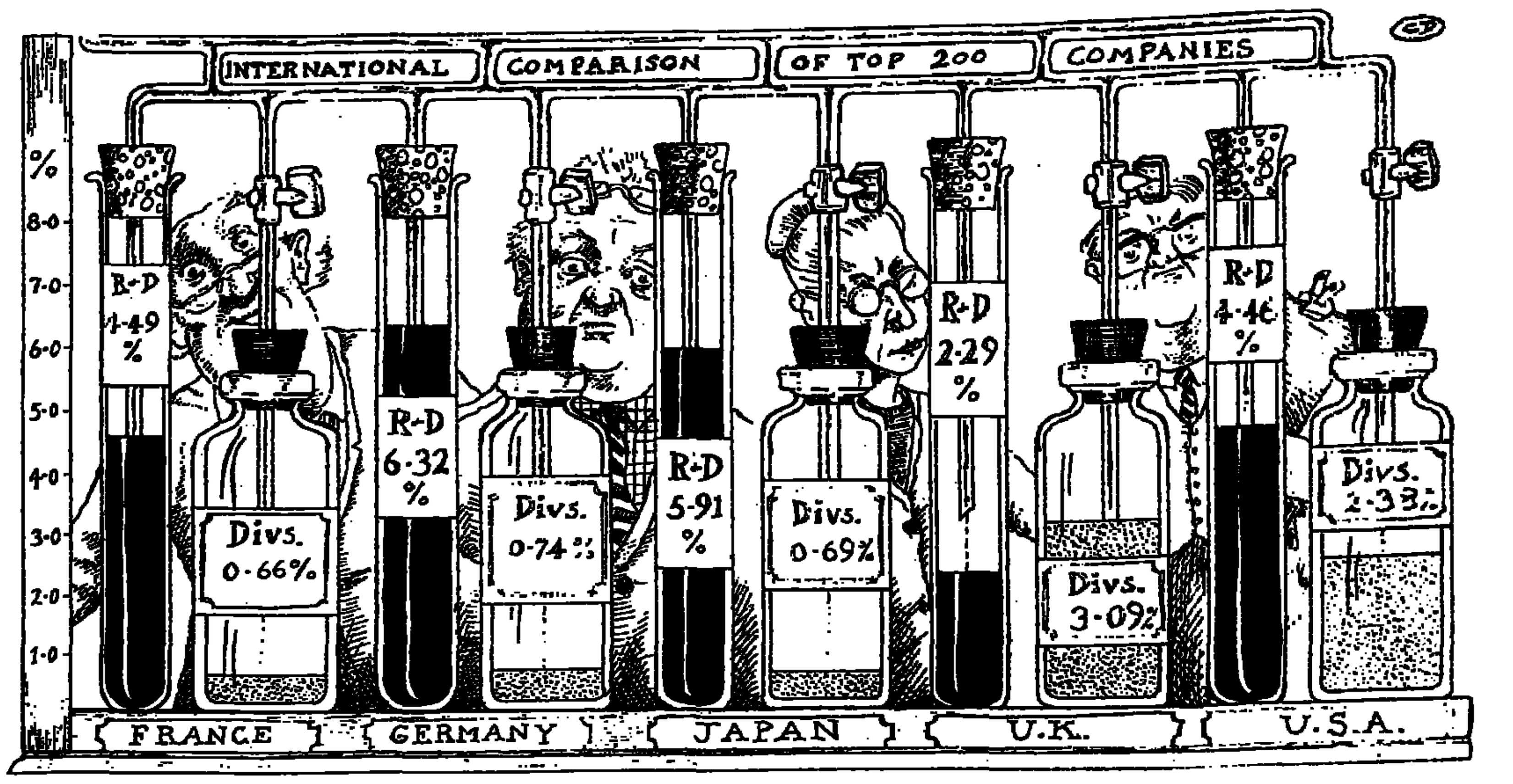
The gap between the UK and other countries becomes wider still when R&D is related to profits and dividends. R&D spending by the international top 200 averaged 101 per cent of pre-tax profits and 283 per cent of dividends; equivalent figures for the UK companies were 29 per cent of profits and 72 per cent of dividends.

But Rob Margetts, research and technology director of Imperial Chemical Industries, says international comparisons based on spending may underestimate Britain's real R&D effort, because scientists and engineers in the UK work as well as their counterparts in other industrialised countries, despite being on lower salaries. "We're fortunate that a high proportion of our R&D is performed in relatively low cost countries."

ICI carries out half its R&D in the UK although only 22 per cent of turnover is in its home country. Costs per researcher are about £50,000 in the UK, £60,000 to £80,000 in the rest of Europe and £100,000 in Japan.

When the scoreboard is broken down according to industrial sector, the overwhelming importance of pharmaceuticals for the UK becomes clear. Four of the top six UK spenders on R&D are drugs companies (Glaxo, SmithKline Beecham, Zeneca and Wellcome) and the pharmaceutical sector carries out 31.8 per cent of all industrial R&D in Britain. Among the top 200 international companies, the sector accounts for only 8.8 per cent of all R&D spending.

And the dominance of the drugs companies is growing, as they boost R&D faster than other sectors. Last year the UK pharmaceutical sector increased R&D by 19 per cent, led by Glaxo, the British R&D champion, with a 24 per cent increase to £739m.



The UK performance in other areas is mixed:

- Engineering companies spent 10 per cent more, led by Rolls-Royce and British Aerospace.
- Electronic and electric companies fell by 1 per cent. Cuts by the sector's two biggest companies, GEC (down 5 per cent) and Racal (down 8 per cent), outweighed substantial increases by some of the smaller electronics companies.
- Oil companies fell by 5 per cent. A cut of 25 per cent by BP undermined Shell's 6 per cent increase.

The diversified industrial sector presents a revealing contrast between the two giant UK conglomerates, BTR and Hanson, which coincidentally both had a turnover of £9.8bn in 1993. BTR's R&D spending was £101m – up by 9 per cent last year and by 71 per cent since 1990. Hanson's R&D spending was £20m – down by 23 per cent last year and by 41 per cent since 1990.

Hanson's corporate development director, Christopher Collins, denies that the group has an anti-R&D attitude. "Hanson's portfolio consists partly of industrial companies, with a focus on basic industries, and partly of resources companies – and there's no R&D involved in digging out more coal," he says. "What doesn't show up in the R&D figures is our constant drive to improve manufacturing techniques and operating efficiencies."

Collins says the ups and downs of Hanson's R&D spending are determined more than anything by its sale and acquisition of companies. Last year's take-over of Quantum, the US chemical company, will boost this year's R&D figure.

But at least Hanson features on the scoreboard. Forty-two of the FT-SE 100 companies are missing because they declare no figure for R&D spending. Most are financial, retailing and other services groups, which probably do no significant R&D (though J Sainsbury sets an example for other supermarket groups by declaring an R&D figure of £4.8m).

There are some glaring exceptions, however – companies apparently contravening accounting standards by failing to disclose R&D activities. Cable & Wireless, the telecommunications group, is the outstanding absentee. "The statement in our report and accounts two years ago that there was no R&D in C&W was a great error," concedes Sidney O'Hara, a former BT research executive who recently became C&W technology adviser.

O'Hara estimates that C&W devotes between 1.5 and 2.5 per cent of its £5bn turnover to R&D, in line with other telecoms service companies. That would give a figure in the region of £100m and put C&W comfortably into the UK top 20. O'Hara promises that a figure will be published in next year's annual report.

Heseltine hails advances

The trade and industry secretary talks to Clive Cookson

Trevor Humphries

Heseltine: "Still some way to go to catch up with the best standards"

Michael Heseltine, secretary of state at the UK's Department of Trade and Industry, and chief sponsor of the R&D Scoreboard, is delighted with the spending increase it shows this year.

"It is very encouraging that an area which has been a matter of some controversy and much concern is being addressed by the management of Britain's leading companies, despite very difficult trading conditions," he says. "But there is still some way to go to catch up with the world's best standards."

Heseltine believes the Scoreboard's R&D comparisons around the world "are valuable because they focus management's attention on the ingredients of international competitiveness. They are a broad indicator of what is possible, what the best are doing," he says.

The managers of most British companies are taking seriously the message that R&D is important, according to Heseltine. "That doesn't mean that all management is taking it seriously. This is indicative of what the best are doing. We should never let the people at the low end of performance off the hook," he says.

However, Heseltine refuses to discuss the performance of individual companies or condemn them for spending too little on R&D. "I would not seek to put my judgment as a politician – as a minister away from the hurly-burly of the capitalist world – into the minds of individual boards of directors.

"I don't believe in ministers laying down formulae for industrial success. There are too many exceptions. Just imagine the effect of a politician saying all companies should be spending X per cent of turnover on R&D, and the consequence was that a significant proportion of companies upped their expenditure, went into loss and were taken over. Who would thank you?"

Hanson may stand out for its low and declining R&D spending but, Heseltine points out, "it also stands out as a company with a quite remarkable success record".

At first sight, Heseltine's own department is not setting a good example in raising R&D spending. According to the 1994 Forward Look at Government-funded Science and Technology, the DTI's net expenditure on science and technology is set to fall steadily from £500m in 1992-93 to £350m in 1996-97.

Heseltine rejects that as "facile criticism". He says the fall results mainly from a reduction in nuclear research, coupled with increasing receipts from past expenditure on aerospace R&D and changing arrangements for small business consultancy.

At the same time, the DTI is shifting the balance of its innovation support away from generating new technology "on which industry and government already spend billions", to concentrate more on "influencing the broad environment which allows innovative firms to flourish". That means cutting collaborative research projects and spending more on technology transfer and spreading the word about best practice.

The R&D Scoreboard itself is a small example of such activity. Of course, R&D is only one ingredient in the overall process of innovation – defined by the DTI as "the successful exploitation of new ideas".

The DTI Innovation Unit is now tackling the greater challenge of drawing up an "innovation index" which would take account not only of funds that companies put into R&D but also the outcome.

Measures might include patents, new products, even stock market valuations. Defining and quantifying these – and combining them into an index that would be acceptable to industry and useful for managers – pose formidable mathematical and econometric problems.

Even so, two groups – Stoy Hayward consultants with Warwick University, and Imperial College – have drawn up practical proposals for an innovation index. DTI officials are now considering which approach to develop further, in consultation with industry.

There is a reasonable chance that the innovation index will be ready for launch next year. Barring a corporate upheaval, Glaxo is certain to emerge as the leader of the 1995 UK R&D Scoreboard. A more interesting subject for speculation is which company will emerge as the most innovative.

The tables and how to read them

The R&D Scoreboard is prepared for the Department of Trade and Industry by Company Reporting, an Edinburgh consultancy. It is based on figures published in annual reports and accounts up to 31 May 1994.

The UK table (facing page) includes companies based in Britain and listed on the London Stock Exchange. We have extracted the top 100 R&D spenders from the list of 352 companies in the full scoreboard. Unlisted companies and UK subsidiaries of foreign companies are not included in the FT list.

The main international table (below) shows the world's top 200 R&D spenders, whether or not they are listed companies, broken down according to their industrial sector. Company Reporting's non-UK data are supplemented by Standard & Poor's Compustat Global Advantage database. All currencies are converted to sterling at the exchange rates on 31 December 1993.

In all cases, the R&D spend shows the amount of R&D funded by the company anywhere in the world, whether it is carried out in-house or by a contractor or university. R&D funded by governments and other external sources is excluded. The figures are inevitably subject to uncertainties of definition (see article opposite).

Dividends are equity dividends appropriated against current year profits. Preference dividends are excluded.

The full scoreboard, including unlisted UK companies and university research, is available free from the DTI Innovation Unit, 151 Buckingham Palace Road, London SW1W 9SS; telephone 0800 442001 (from UK) or 44 71 215 1994 (from elsewhere). A floppy disk is available for £75 from Company Reporting, 68 Dundas Street, Edinburgh EH3 6QZ, or telephone 031 558 1400.

RANKING OF TOP 200 INTERNATIONAL COMPANIES BY R&D EXPENDITURE BY SECTOR

Company	Current R&D spend £'000	Sales £m	R&D as a % of sales	Dividends £'000	R&D as a % of divs	Previous R&D spend 1992 £'000	1991 £'000	1990 £'000
All companies composite	104,486,377	2,153,633	4.85	36,927,695	283.00	102,846,313	94,961,011	83,632,536
■ 1 Breweries	105,184	5,226	2.01	63,741	165.00	101,090	93,689	89,867
Kirin Brewery, Japan	105,184	5,226	2.01	63,741	165.00	101,090	93,689	89,867
■ 2 Building and construction	112,308	14,347	0.78	66,854	168.00	107,909	98,971	na
Shimizu, Japan	112,308	14,347	0.78	66,854	168.00	107,909	98,971	na
■ 3 Building materials and merchants	273,940	11,197	2.45	206,827	132.40	260,330	229,370	na
Compagnie de Saint-Gobain, France	156,942	8,471	1.85	116,189	135.10	158,201	141,030	123,746
Corning, USA	116,998	2,726	4.29	90,638	129.10	102,129	88,340	na
■ 4 Chemicals	13,329,666	214,284	6.22	5,394,879	247.10	12,947,577	12,341,966	11,322,715
Bayer, Germany	1,228,787	15,980	7.7	287,248	427.80	1,205,044	1,167,678	1,065,701
Hoechst, Germany	1,182,858	17,922	6.6	201,229	587.80	1,130,312	1,116,690	1,045,850
Ciba-Geigy, Switzerland	1,002,230	10,307	9.72	197,087	508.50	1,069,591	994,492	933,503
Dow Chemical, USA	849,935	12,206	6.96	485,974	174.70	871,240	783,372	767,828
Sandoz, Switzerland	793,773	6,872	11.55	157,935	502.60	690,897	604,433	549,815
El du Pont de Nemours, USA	765,123	25,074	3.05	805,001	95.00	863,129	877,323	965,190
Bristol Myers Squibb, USA	762,419	7,714	9.88	1,003,717	76.00	732,004	671,172	595,471
BASF, Germany	752,763	16,784	4.49	182,157	413.20	797,290	802,934	805,153
Rhone-Poulenc, France	733,198	9,222	7.95	68,912	1064.00	682,496	658,615	605,446
American Home Products, USA	447,914	5,612	7.98	600,270	74.60	373,403	290,989	249,543
Upjohn, USA	433,952	2,469	17.58	173,903	249.50	370,764	331,912	288,746
Monsanto, USA	423,115	5,340	7.92	183,845	230.10	440,013	423,791	413,653
Sumitomo Chemical, Japan	345,790	5,674	6.09	29,463	1173.60	355,499	358,104	329,227
AKZO Nobel, The Netherlands	323,287	5,745	5.63	117,970	274.00	323,287	311,630	309,959
Immunex, USA	283,099	82	343.32	0	na	na	na	na
Solvay, Belgium	227,809	4,757	4.79	93,853	242.70	240,915	240,167	223,898
KAO, Japan	217,223	4,469	4.85	36,222	599.70	211,900	175,853	151,289
Goodyear Tire & Rubber, USA	216,289	7,869	2.75	57,394	376.90	220,277	223,048	223,927
Toray Industries, Japan	207,091	5,874	3.53	59,108	350.40	201,671	188,523	178,857
Genentech, USA	199,500	410	48.55	0	na	182,593	143,920	105,711
ICI, UK	177,000	8,430	2.1	199,000	88.90	189,000	596,000	591,000
Amgen, USA	172,572	928	18.6	0	na	123,215	72,611	na
Henkel, Germany	156,468	5,397	2.9	21,796	717.90	161,139	155,690	145,570
Teijin, Japan	153,040	3,742	4.09	35,380	432.60	146,535	139,910	113,866
Mitsubishi Petrochemical, Japan	139,292	3,076	4.53	23,897	582.90	137,475	127,180	115,067
Rohm & Haas, USA	138,553	2,215	6.25	60,155	230.30	134,856	123,690	120,448
Mitsui Petrochemical Ind, Japan	138,396	2,065	6.7	11,325	1222.00	147,208	155,850	133,236
PPG Industries, USA	135,991	3,888	3.5	149,239	91.10	137,208	148,969	147,279
DSM, The Netherlands	135,718	2,797	4.85	18,791	722.20	148,246	147,898	147,898
Showa Denko, Japan	130,813	3,082	4.24	18,852	693.90	132,025	na	na
Shin-Etsu Chemical, Japan	117,671	2,785	4.22	14,656	802.90	133,799	125,611	na
Eastman Chemical, USA	117,807	2,636	4.46	0	na	109,496	na	na
Synthelabo, France	112,984	723	15.61	16,030	704.80	79,893	74,407	na
Kyowa Hakko Kogyo, Japan	108,406	1,956	5.54	84,471	128.30	115,067	113,493	na
■ 5 Diversified industrials	1,878,321	29,946	6.27	na	na	1,954,298	1,964,516	2,108,180
Philips Gloeilampenfabrieken, Neth	1,182,140	20,470	5.78	0	na	1,273,663	1,346,742	1,523,524
Minnesota Mining & Man., USA	696,181	9,476	7.35	487,328	142.90	680,635	617,776	584,656
■ 6 Electricity	491,660	20,314	2.42	na	na	510,663	517,874	434,998
Electricite de France, France	491,660	20,314	2.42	0	na	510,663	517,874	434,998
■ 7 Electronic and electrical equipment	29,202,777	439,668	6.65	4,972,918	588.20	29,712,024	27,786,168	25,120,681
Siemens, Germany	2,996,263	31,779	9.43	278,865	1075.10	3,263,661	3,071,773	2,716,799
Int Business Machines, USA	2,994,930	42,369	7.07	611,693	489.60	3,435,620	3,380,196	3,321,392
Matsushita Electric Ind, Japan	2,433,484	42,726	5.7	158,593	1534.40	2,531,922	2,325,048	2,093,501
Fujitsu, Japan	2,343,083	20,980	11.18	109,708	2134.00	2,373,334	1,997,474	1,655,153
Toshiba, Japan	1,888,020	28,022	6.74	194,519	970.60	1,928,059	1,810,646	1,610,095
NEC, Japan	1,665,558	21,281	7.83	93,229	1786.50	1,831,395	1,692,605	1,695,736
Asea Brown Boveri, Switz/Sweden	1,534,978	19,138	8.02	157,465	974.70	1,612,706	1,582,967	1,305,170
Sony, Japan	1,405,947	23,492	5.98	112,984	1244.40	1,457,067	1,246,287	1,000,848
Motorola, USA	1,028,050	11,465	8.97	82,460	1246.70	882,730	729,300	681,311
Mitsubishi Electric, Japan	1,020,821	19,743	5.17	129,723	786.90	1,020,445	967,496	1,005,329
Ericsson Telefon, Sweden	885,825	5,104	17.35	58,546	1513.00	598,199	572,007	397,421
General Electric, USA	876,647	40,934	2.14	1,506,590	58.20	914,498	947,617	989,862
Intel, USA	655,626	5,935	11.05	56,775	1154.80	527,147	417,741	349,239
Sharp, Japan	643,180	8,945	7.19	71,154	903.90	612,364	550,880	473,879
Canon Incorporated, Japan	631,001	11,118	5.68	58,624	1076.40	608,775	579,820	520,661
Xerox, USA	596,823	10,944	5.45	205,474	290.50	623,183	601,654	573,166
Sanyo Electric, Japan	518,556	9,247	5.61	58,624	884.50	515,188	495,387	452,773
Fuji Photo Film, Japan	464,819	6,583	7.06	56,086	828.80	454,378	413,045	360,531
Apple Computer, USA	449,178	5,391	8.33	37,573	1195.50	408,985	394,063	323,082
Texas Instruments, USA	398,783	5,780	6.92	42,581	936.50	317,874	358,201	394,998
General Electric, UK	398,000	5,612	7.09	278,000	143.20	417,000	435,000	390,000
Unisys, USA	348,225	5,233	6.65	0	na	392,219	431,835	504,582
Matsushita Electric Works, Japan	284,132	6,250	4.55	54,608	520.30	288,148	288,898	238,257
OKI Electric Industry, Japan	273,940	3,869	7.08	0	na	264,577	247,898	247,698
Honeywell, USA	228,050	4,030	5.66	82,480	276.60	211,287	203,244	188,962
Amdahl, USA	226,099	1,135	19.91	3,836	5893.50	251,663	211,247	209,597
Ing C Olivetti, Italy	181,328	3,168	5.72	0	na	182,062	185,067	188,712
Advanced Micro Devices, USA	177,628	1,113	15.95	0	na	154,011	144,464	137,681
Amp, USA	174,383	2,331	7.48	113,442	153.70	183,845	179,114	177,762
Pioneer Electronic, Japan	174,218	3,573	4.88	27,188	640.80	160,787	137,027	113,856
Nokia, Finland	171,800	2,765	6.21	2,023	8489.00	129,900	108,892	135,852
TDK, Japan	167,575	3,185	5.26	39,819	420.80	159,332	158,418	137,475
National Semiconductor, USA	136,735	1,360	10.05	0	na	129,841	134,234	170,598
Kyocera, Japan	130,135	2,616	4.97	56,195	231.60	158,278	137,239	113,148
Ascom, Switzerland	129,306	1,534	8.43	0	na	111,783	na	na
Kyushu Matsushita Elec, Japan	126,138	2,156	5.85	14,952	843.60	130,492	109,035	na
Westinghouse Electric, USA	116,931	5,996	1.95	128,421	91.10	108,496	141,263	134,504
Murata Manufacturing, Japan	115,746	1,647	7.03	18,750	617.30	109,817	99,939	na
SAP, Germany	104,195	428	24.29	14,634	712.00	91,545	66,946	42,659
Electrolux, Sweden	103,389	8,118	1.27	37,139	278.40	88,469	82,225	87,982
Casio Computer, Japan	103,252	2,610	3.96	20,257	509.70	104,154	93,095	na
■ 8 Engineering	16,382,368	279,498	5.52	2,986,341	558.60	16,040,887	14,532,727	11,338,327
Hitachi, Japan	3,035,313	45,639	6.65	218,253	1390.70	3,146,348	2,971,826	2,076,671
Hewlett-Packard, USA	1,190,266	13,732	8.67	154,106	772.40	1,094,964	988,847	923,980
Boeing, USA	1,122,676	17,193	6.53	229,807	488.50	1,247,718	957,755	558,972
Digital Equipment, USA	1,034,213	9,713	10.65	0	na	1,185,466	1,114,822	1,091,179
Eastman Kodak, USA	879,351	11,060	7.95	444,068	198.00	1,072,658	1,009,800	898,276
United Technologies, USA	768,502	14,248	5.39	151,402	507.60	823,927	770,530	690,368
Mitsubishi Heavy Ind, Japan	745,942	17,102	4.36	162,972	457.70	782,437	679,735	556,837
Aerospatiale, France	488,684	5,820	8.4	0	na	594,342	280,343	259,967
SNECMA, France	400,425	2,614	15.32	0	na	331,627	249,779	215,686
Rockwell International, USA	396,958	7,326	5.42	142,683	278.20	337,073	332,747	329,638
Mannesmann, Germany	344,075	10,883	3.16	67,090	512.90	382,609	265,841	268,955
Ricoh, Japan	334,623	6,183	5.41	39,456	848.10	353,518	336,088	291,303
Thomson CSF, France	318,348	3,914	8.13	76,353	416.90	335,176	367,457	na
Lockheed, USA	303,480	8,834	3.44	89,219	340.20	283,879	259,547	304,156
Compagnie Des Machines Bull, Fr.	301,292	3,455	8.72	0	na	328,880	342,159	na
Rolls-Royce, UK	253,000	3,518	7.19	56,000	451.80	229,000	216,000	237,000
Tandem Computers, USA	234,131	1,372	17.06	0	na	213,259	180,214	171,409
McDonnell Douglas, USA	230,483	9,791	2.35	37,174	620.00	344,035	304,188	419,060
Kubota, Japan	221,087	5,692	3.88	na	na	208,103	161,458	146,390
Caterpillar, USA	215,613	7,850	2.75	41,230	523.00	209,630	183,845	180,865
Komatsu, Japan	195,839	5,262	3.72	48,570	403.20	229,433	218,017	205,910
Raytheon, USA	188,880	6,218	3.04	128,304	147.20	195,923	188,262	180,855
Omron, Japan	187,786	2,797	6.71	18,186	1032.40	203,409	181,385	158,250
Emerson Electric, USA	184,118	5,524	3.33	219,128	84.00	165,461	160,797	157,891
Deere, USA	182,358	5,172	3.53	106,116	171.80	194,930	188,779	178,100
British Aerospace, UK	168,000	10,760	1.56	31,000	541.90	151,000	263,000	236,000
Olympus Optical, Japan	158,914	1,617	9.83	18,180	874.10	155,171	146,414	127,143
Usinor Sacilor, France	146,814	9,953	1.5	148	100077	130,155	125,920	na
Konica, Japan	142,393	3,040	4.68	12,978	1097.20	141,254	137,051	131,066
Furukawa Electric, Japan	124,878	4,372	2.86	23,800	524.70	121,063	112,461	na
Litton Industries, USA	122,203	3,847	3.18	0	na	115,782	112,402	na
Compaq Computer, USA	114,227	4,860	2.35	0	na	116,896	133,340	125,515
Storage Technology, USA	110,365	946	11.63	0	na	100,031	80,308	na
Polaroid, USA	108,685	1,516	7.17	18,925	574.30	104,582	103,954	na
Intergraph, USA	108,343	709	15.27	0	na	101,488	90,829	na
Sulzer Gebrueder, Switzerland	107,889	3,029	3.56	18,048	597.70	105,593	107,414	101,042
Tektronix, USA	106,162	880	12.06	12,145	874.10	114,351	118,494	127,881
Seagate Technology, USA	104,092	2,056	5.06	0	na	88,845	92,920	na
■ 9 Engineering, vehicles	18,846,914	408,958	4.61	2,201,890	855.90	18,270,943	17,075,229	16,617,758
General Motors, USA	4,075,833	93,423	4.36	491,449	829.30	3,999,253	3,979,313	3,610,341
Daimler-Benz, Germany	3,519,772	38,041	9.25	145,181	2424.40	3,624,474	3,268,889	3,189,930
Ford Motor, USA	3,393,714	73,349	4.63	539,371	629.20	2,928,016	2,519,770	2,404,866
Honda Motor, Japan	1,206,595	25,024	4.82	82,521	1462.20	1,165,667	1,175,139	1,091,327
Volkswagen, Germany	1,128,756	29,809	3.79	21,018	5370.40	1,157,678	1,050,910	973,065
Fiat, Italy	1,026,486	23,334	4.4	56,851	1805.60	987,007	888,306	720,120
Chrysler, USA	831,361	28,563	2.91	154,105	539.50	709,699	645,488	613,720
Regie Nationale des Usines Renault, Fr	708,586	20,542	3.45	74,750	947.90	681,914	655,358	641,047
Nippondenso, Japan	675,872	8,648	7.82	71,039	951.40	670,421	648,619	618,586
Peugeot, France	600,409	17,792	3.37	74,178	809.40	601,096	532,756	387,719
Volvo, Sweden	355,660	9,010	3.95	48,734	729.80	500,973	520,110	572,575
TRW, USA	255,481	5,372	4.76	81,108	315.00	265,630	233,862	208,854
Allied-Signal, USA	211,887	7,993	2.65	109,498	193.20	216,289	257,519	287,935
MAN, Germany	203,585	7,384	2.76	51,027	398.90	208,236	194,613	167,756
Martin Marietta, USA	189,320	6,377	2.97	56,120	337.30	135,147	124,082	143,582
Textron, USA	131,801	6,133	2.15	73,809	178.80	118,255	129,773	134,504
Valeo, France	121,455	2,316	5.24	10,302	1178.90	110,696	99,133	97,530
Cummins Engine, USA	106,792	2,871	3.72	4,731	2257.10	87,191	86,779	68,807
Eaton, USA	104,089	2,974	3.5	56,100	185.60	95,302	93,812	86,515
■ 10 Food manufacturers	1,328,815	98,087	1.37	2,526,834	52.30	1,258,368	1,192,228	1,088,811
Unilever, UK	518,000	27,863	1.86	537,000	96.50	461,000	426,000	408,000
Nestle, Switzerland	305,857	26,164	1.17	448,773	68.20	304,492	285,376	257,612
Philip Morris, USA	284,555	34,214	0.83	1,541,061	18.50	277,120	267,857	232,510
Ferruzzi Finanziaria, Italy	212,403	7,856	2.7	0	na	216,746	213,193	190,689
■ 11 Health care	599,621	9,088	6.6	220,612	271.80	575,905	542,679	na
Baxter International, USA	227,779	6,001	3.8	187,901	121.20	214,261	195,336	178,410
Roussel UCLAF, France	187,025	1,695	11.03	14,022	1333.70	178,348	168,927	na
Eisai, Japan	184,817	1,392	13.27	18,699	988.80	183,296	177,816	165,939
■ 12 Household goods	1,931,476	37,175	6.2	1,097,771	175.90	1,765,216	1,669,115	1,282,400
Johnson & Johnson, USA	798,918	9,555	8.36	445,420	179.40	761,743	662,365	583,703
Procter & Gamble, USA	646,164	20,589	3.14	505,576	127.80	581,953	531,260	468,401
L'Oreal, France	248,749	4,597	5.41	86,792	286.60	228,716	186,934	170,335
Elf Sanofi, France	237,645	2,454	9.68	59,983	396.20	212,804	186,536	na
■ 13 Investment trusts	175,235	na	na	58,476	299.70	188,696	na	na
Investor, Sweden	175,235	0	na	58,476	299.70	188,696	na	na
■ 14 Media	224,540	2,889	7.77	na	na	163,323	134,208	na
Oracle Systems, USA	114,540	1,015	11.28	0	na	84,823	66,908	na
Reuters, UK	110,000	1,874	5.87	105,000	104.80	78,500	67,300	61,600
■ 15 Oil, integrated	2,701,088	341,643	0.79	8,538,921	31.70	2,836,342	2,649,741	2,408,308
Shell Transport & Trading, UK	529,000	83,748	0.63	2,375,000	22.30	499,000	472,000	473,000
Exxon, USA	400,811	75,167	0.53	2,404,886	16.70	421,764	458,938	430,550
Schlumberger, N'lands Antilles	304,281	4,531	6.71	196,896	154.50	284,715	273,252	251,909
Ente Nazionale Idrocarburi, Italy	270,834	19,652	1.38	0	na	295,707	241,500	251,847
British Petroleum, UK	237,000	34,950	0.68	457,000	51.80	315,000	308,000	329,000
Mobil, USA	203,447	38,238	0.53	877,323	23.20	220,344	213,585	186,549
Amoco, USA	197,363	17,124	1.15	738,067	26.70	202,771	223,048	207,502
Texaco, USA	168,976	23,026	0.73	559,848	30.20	168,976	168,976	152,079
Chevron, USA	156,133	25,083	0.62	769,854	20.30	154,782	168,978	148,022
Enichem, Italy	121,204	4,404	2.75	0	na	161,474	na	na
Total-Cie Francaise des Petroles, Fr	111,954	15,637	0.72	152,248	73.50	110,809	110,466	68,111
■ 16 Other financial	310,915	15,384	2.02	158,837	195.70	344,711	383,636	381,865
ITT, USA	310,915	15,384	2.02	158,837	195.70	344,711	383,636	381,865
■ 17 Pharmaceuticals	9,165,582	74,058	12.38	4,408,200	205.10	8,293,921	6,782,002	5,815,867
Roche, Switzerland	984,479	6,515	15.11	183,878	535.40	909,380	786,036	657,229
Merck, USA	792,700	7,095	11.17	837,445	94.70	761,334	667,657	590,740
Glaxo, UK	739,000	4,930	14.99	667,000	110.80	595,000	475,000	399,000
Pfizer, USA	658,600	5,054	13.03	362,352	181.80	583,440	511,524	432,646
Eli Lilly, USA	645,217	4,360	14.8	483,744	133.40	625,143	516,350	474,957
Abbott Laboratories, USA	595,453	5,683	10.48	380,090	156.70	522,072	450,354	389,237
SmithKline Beecham, UK	575,000	6,164	9.33	326,000	176.40	479,000	432,000	393,000
Zeneca, UK	490,000	4,440	11.04	260,000	188.50	458,000	na	na
American Cyanamid, USA	402,568	2,890	13.93	104,765	384.30	382,428	332,544	311,321
Schering, Germany	378,053	2,087	18.11	30,830	1226.20	384,927	375,305	312,159
Takeda Chemical Ind, Japan	377,162	4,360	8.65	68,786	548.30	381,808	323,328	293,725
Wellcome, UK	325,500	2,041	15.95	149,800	217.30	254,800	229,700	221,200
Warner-Lambert, USA	314,227	3,916	8.02	208,110	151.00	320,040	208,042	258,370
Syntex, Panama	273,335	1,434	19.05	155,795	175.40	233,058	213,315	187,034
Fujisawa Pharmaceutical, Japan	241,067	1,707	14.12	14,583	1653.00	228,713	198,083	183,517
Astra, Sweden	227,852	1,832	12.43	78,778	289.20	187,774	129,419	127,654
Yamanouchi Pharmaceutical, Japan	203,125	2,162	9.4	25,399	799.70	192,950	171,868	134,720
Merck, Switzerland	201,628	1,064	18.94	28,401	709.90	137,453	118,337	107,880
Daiichi Pharmaceutical, Japan	177,785	1,447	12.28	19,767	899.40	184,789	153,203	111,918
Novo Nordisk, Denmark	173,578	1,209	14.35	14,808	1172.10	151,398	133,968	118,868
Chugai Pharmaceutical, Japan	144,543	962	15.01	11,191	1291.50	138,065	132,836	128,234
Tanabe Seiyaku, Japan	137,475	1,471	9.34	10,985	1251.40	136,203	125,545	114,559
Taisho Pharmaceutical, Japan	107,194	1,235	8.69	46,693	229.60	102,349	na	na
■ 18 Printing, paper and packaging	107,130	4,712	2.27	140,317	76.30	105,508	100,574	na
Kimberly-Clark, USA	107,130	4,712	2.27	140,317	76.30	105,508	100,574	na
■ 19 Support services	885,887	7,354	12.05	na	na	727,680	608,202	418,368
Microsoft, USA	317,674	2,536	12.52	0	na	238,021	159,098	122,068
Sun Microsystems, USA	301,017	2,911	10.34	0	na	257,949	240,995	204,055
Computer Associates Int, USA	150,952	1,244	12.13	11,595	1301.90	138,741	119,913	90,233
Lotus Development, USA	116,244	663	17.53	0	na	94,989	88,196	na
■ 20 Telecommunications	7,341,069	142,877	5.14	3,647,705	201.30	6,759,922	6,190,729	5,177,303
American Telephone & T'graph, USA	2,074,349	45,391	4.57	1,203,109	172.40	1,967,566	2,104,785	1,644,474
Nippon Telegraph & T'phone, Japan	1,789,304	39,383	4.54	472,383	378.80	1,737,445	1,650,078	1,443,416
Alcatel-Alsthom Co. Gen, France	1,730,828	18,507	9.35	224,824	769.90	1,164,302	930,320	816,251
Bell Canada Enterprises, Canada	635,082	10,122	6.27	415,560	152.80	841,719	821,809	520,218
Northern Telecom, Canada	623,669	5,507	11.33	60,831	1025.60	799,855	640,757	522,946
STET, Italy	254,847	10,725	2.37	303,998	83.80	209,245	na	na
British Telecommunications, UK	233,000	13,242	1.76	967,000	24.10	240,000	243,000	228,000

A killing through contracts

Michael Kenward on independent R&D sources

As companies emerge from recession, their thirst for R&D could increase. One way to satisfy this without piling on the overheads is to contract out R&D, or acquire technology from other sources.

"I see R&D as one of the corporate activities that the larger corporations will seek to outsource," says Peter Watson, who has just left British Rail, where he was board member for engineering, to become chief executive of AEA Technology.

The company, based at Harwell in Oxfordshire and a product of Britain's nuclear power programme, is the country's largest technical services organisation. With a turnover of around £150m, AEA Technology is destined for privatisation. It is, says Watson, one of a number of independent R&D organisations that are "coming much more aggressively to the private sector" to sell their services.

Much of the activity of AEA Technology falls into the area of technical services rather than straight R&D. For instance, it optimises plant performance and helps companies to meet new safety and environmental regulations – activities with a high technical content which might not be central to a company's own business.

Faced with a diversity of technical topics, "you cannot rely purely on your own resources", says Watson. "You cannot cover all of the emerging technologies. You have to find a way to fill the gap." He naturally sees contract R&D and technical support as an area destined for rapid growth.

Paul Anton also sees a bright future for contract research. Auton is the current chairman of the Association of Independent Research & Technology Organisations (AIRTO) and managing director of Cambridge Consultants (CCL), which had a turnover of £14m last year. AIRTO's members employ 7,000 people and have an annual turnover in excess of £320m. This may seem like small beer alongside the overall spending on R&D by corporate Britain, but the larger AIRTO members would appear well up the R&D Scoreboard.

Pera International, for example, has a turnover in excess of £31m.

Pera's work shows the spread of activities that companies buy in. As well as contract R&D, Pera also operates a membership scheme that gives companies access to consultancy services and information through a large number of databases at no cost on top of the annual fee. Ron Armstrong, chief executive of Pera, points to a sudden increase in membership numbers as another indicator of growing interest in contracting out.

The customers of the contract research organisations want more than just R&D, however. Both Pera and CCL have seen an increasing demand for help in technology management.

"Companies join Pera because we offer a range of business and technology services," says Armstrong. These include management and marketing as well as advice on such issues as patent protection and technical aspects of European legislation.

Auton says that other services are also in increasing demand from contract research organisations, including project management and advising companies on how to exploit their technology portfolios.

'You cannot rely purely on your own resources. You cannot cover all of the emerging technologies. You have to find a way to fill the gap'

Auton estimates that this kind of consultancy work now accounts for around 20 per cent of CCL's business.

Another new phenomenon in contract research is that of the corporate laboratory operating as a stand-alone R&D unit for third-party customers as well as its own parent. The Central Research Laboratory (CRL) of Thorn EMI, which had a turnover of £8.6m last year, now derives as much income from external clients – 37 per cent of the total – as it does from Thorn EMI. As well as contract R&D, product development and its own production activities, CRL also earns 27 per cent of its income through technology licensing.

Contract research is by no means new to corporate researchers. Companies have increasingly taken a customer/contractor approach in their internal R&D. Research centres work on a contract and project basis for operating divisions.

Contract research will not hit the headlines in the same way as in-house R&D. "What companies buy from people like us is competitive advantage and they don't want their rivals to know they are buying it," says Keith Jones, who was recently recruited from Cambridge Consultants to become commercial manager at CRL.

Jones says companies may want to keep the technology hidden from their competitors or might be reluctant to admit that they buy in technology. Jones finds this puzzling. "You could argue that it should be the other way round," he explains. After all, a willingness to adopt ideas, or technology, from elsewhere is "a true sign that you are a progressive and innovative company".

Companies are happier to talk about their links with the academic research community. The web of relationships between industry and academia is wide but accounts for a small fraction of the corporate R&D budgets, or of the universities' income.

Industry spent £122m in UK universities in 1992-93, a little over 10 per cent of their income from grants and contracts and about half as much as the universities received from research charities such as the Wellcome Trust.

The universities' income from industry may be less than that of contract research organisations but it is no less valuable or productive. Companies turn to universities for ideas that will have an impact in the longer term rather than for new products. Research costs less than development and can deliver more new ideas per pound invested.

Universities cannot carry out market-oriented product research, says Peter Seraga, director of Philips's UK research laboratory at Redhill in Surrey. The Dutch electronics company is expanding its contract research with universities, Seraga explains, but he fears that universities are getting pulled into shorter term research.

Philips likes working with universities because they give the laboratory's 250 or so staff access to the frontiers of research. The laboratory is a leading player in Philips's work on multimedia technologies.

Its university links include projects with the Royal College of Art and Imperial College, bringing together artists and engineers to develop software for the production of multimedia titles on CD-Rom, optical disks that can store images and sound.

TOP 20 INTERNATIONAL COMPANIES BY R&D EXPENDITURE

Company	Current R&D spend £'000	Sales £m	R&D as a % of sales	Dividends £'000	R&D as a % of divs	Previous R&D spend 1992 £'000	1991 £'000	1990 £'000
■ All companies composite	104,486,377	2,153,633	4.85	36,927,035	283	102,845,313	94,681,011	83,632,836
General Motors, USA	4,075,633	93,423	4.36	491,449	829.3	3,990,253	3,979,313	3,610,341
Daimler-Benz, Germany	3,519,772	38,041	9.25	145,181	2424.4	3,624,474	3,269,889	3,188,930
Ford Motor, USA	3,393,714	73,349	4.63	539,371	629.2	2,928,016	2,519,770	2,404,865
Hitachi, Japan	3,035,313	45,639	6.65	218,253	1390.7	3,146,349	2,971,828	2,078,671
Siemens, Germany	2,996,263	31,779	9.43	278,685	1075.1	3,263,661	3,071,773	2,716,799
Int. Business Machines, USA	2,994,930	42,389	7.07	611,693	489.6	3,435,620	3,380,196	3,321,392
Matsushita Electric Industrial, Japan	2,433,484	42,726	5.7	158,593	1534.4	2,531,922	2,325,048	2,093,501
Fujitsu, Japan	2,343,083	20,960	11.18	109,798	2134	2,373,334	1,997,474	1,655,153
American T'phone & Telegraph, USA	2,074,349	45,391	4.57	1,203,108	172.4	1,967,556	2,104,765	1,644,474
Toshiba, Japan	1,888,020	28,022	6.74	194,518	970.6	1,926,059	1,810,646	1,610,095
Nippon Telegraph & T'phone, Japan	1,789,304	39,383	4.54	472,383	378.8	1,737,445	1,650,078	1,443,416
Alcatel-Alsthom Co. Generale, France	1,730,828	18,507	9.35	224,824	769.9	1,164,302	930,320	918,251
NEC, Japan	1,665,558	21,281	7.83	93,229	1786.5	1,831,395	1,892,605	1,895,736
Asea Brown Boveri, Switz/Sweden	1,534,978	19,138	8.02	157,485	974.7	1,612,706	1,582,967	1,305,170
Sony, Japan	1,405,947	23,492	5.99	112,984	1244.4	1,457,067	1,246,287	1,000,648
Bayer, Germany	1,228,787	15,960	7.7	287,248	427.8	1,205,044	1,167,678	1,065,701
Honda Motor, Japan	1,208,585	25,024	4.82	82,521	1462.2	1,165,667	1,175,139	1,091,327
Hewlett-Packard, USA	1,190,266	13,732	8.67	154,106	772.4	1,094,964	988,847	923,960
Hoechst, Germany	1,182,858	17,922	6.6	201,229	587.8	1,130,312	1,116,690	1,045,850
Philips Gloeilampenfabrieken, N'lands	1,182,140	20,470	5.78	0		1,273,663	1,346,742	1,523,524

Anomalies in the reporting system

Andrew Jack describes why UK financial disclosure methods need updating

Sipping Frascati does not normally bring accountancy to mind, but it has proved a heady legacy for those struggling with current UK financial reporting standards on research and development.

Existing requirements are based on the work of a paper prepared by the Frascati committee of the Organisation of Economic Co-operation and Development in the 1960s for its own data collection.

SSAP 13, the accounting standard that deals with R&D, was introduced in 1977 and last revised in 1989. It still uses these same OECD guidelines for the recognition of R&D.

But David Tonkin, head of Company Reporting, the Edinburgh-based monitor of accounts that compiled the R&D Scoreboard for the Department of Trade and Industry, says: "There's a problem of definition."

He says the OECD concentrates on an outdated science-based definition, split between pure and applied research and development. It misses out areas of spending such as intellectual property, including computer software development.

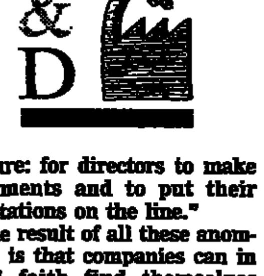
He also highlights a number of other limitations to reporting requirements on the topic in the UK. For example, foreign-owned companies with British operations do not have to disclose their spending in the local accounts if it is funded from abroad.

To add to the confusion, there are differences between the accounting standard in the UK and elsewhere, such as in the US where all such expenditure must be taken against the profit and loss account and not capitalised, says Ken Wild, accounting technical partner at Touche Ross.

An issue for UK standards setters is whether companies should similarly be allowed to allocate R&D between the profit and loss account and the balance sheet.

Deferral is currently allowed for expenditure on projects if their technical feasibility and commercial viability can be assessed with reasonable certainty.

"It is very subjective," says Tonkin, who opposes making the guidelines more restrictive. "In my view this is precisely what we want out of disclosure: for directors to make judgments and to put their reputations on the line."



The result of all these anomalies is that companies can in good faith find themselves struggling to represent fairly all their R&D expenditure because of the guidelines' limitations.

There is nothing to stop them providing additional voluntary disclosures outside the scope of the standard, to reveal what they consider to be a fairer view. They now also have scope in the Operating and Financial Review, the new set of voluntary guidelines circulated last year by the Accounting Standards Board.

Few do so, however. There is considerable evidence that many companies are failing to even disclose the minimal amounts required by SSAP 13, with all its current faults: something to which regulators need to pay greater heed.

An analysis of R&D undertaken for the Financial Times by Company Reporting for 521 companies with year-ends up to the end of May 1994 shows that 213 provide some indication of research and development activity. This is normally in the form of commentary in the chairman's statement, or an accounting policy note.

In three-quarters of these companies, the value is disclosed and charged to income. In a smaller number of cases, companies disclose spending in the directors' report rather than – as the law requires – the accounts.

However, in 22 per cent of cases there is no disclosure of the income effect provided anywhere in the financial statements. Examples include Asda, BAA, Bass, Cable & Wireless and Guinness.

In response, some companies argue that the amount concerned is not material. Others that it would make them vulnerable to competitive disadvantage if they disclosed the amount to their rivals.

Tonkin disagrees. "Companies should be debarred from making disclosures about items that are not material," he says. "It is misleading. Otherwise the chairman is going on about something that doesn't exist."

Meanwhile, the OECD is in discussions over a revised version of its own R&D definitions. Readers of accounts can only hope that its members do not get too carried away drinking Frascati before they finish their drafting.

Focusing on the breakthrough

Competition in the drugs sector is increasing, says Daniel Green

Drugs companies may be suffering from lower profit margins as a result of healthcare reforms in many countries, but they remain among the most enthusiastic investors in the creation of new products.

The international scoreboard shows pharmaceutical R&D spending 11 per cent higher in 1993 than in 1992, with some companies boosting spending by more than 25 per cent.

But behind the bare figures lies a structural change in the way that drugs companies manage their R&D budgets.

The impetus for the change is that sales growth has stalled in many areas. Those who ultimately pay for drugs – insurance companies and their policy holders in the US, and governments elsewhere – have decided to drive hard bargains with pharmaceutical companies in an effort to control the cost of healthcare.

Many drug makers have responded to falling profit margins by cutting staff and reducing the number of manufacturing sites. But price competition has, if anything, increased the need for effective R&D.

R&D directors have adjusted their strategies to try to maximise the chances of discovering a breakthrough product. The first moves were to drop the development of drugs that provided little advance over existing treatments. They then gave more emphasis to research into areas such as cancer, Alzheimer's and arthritis.

With that, however, has come the realisation that no company has the resources to research every promising field. "The industry recognises that technological self-sufficiency is no longer attainable," says George Poste, head of R&D at SmithKline Beecham. "It must be strengthened by alliances."

As a further incentive to external R&D spending, the companies with which alliances are usually cemented – biotechnology companies – are entrepreneurial and hard working and can offer huge rewards for success through share options. This means that much of the best work is being conducted there, says Jan Leschly, chief executive at SmithKline Beecham. "Biotechnology companies can attract the geniuses," he says.

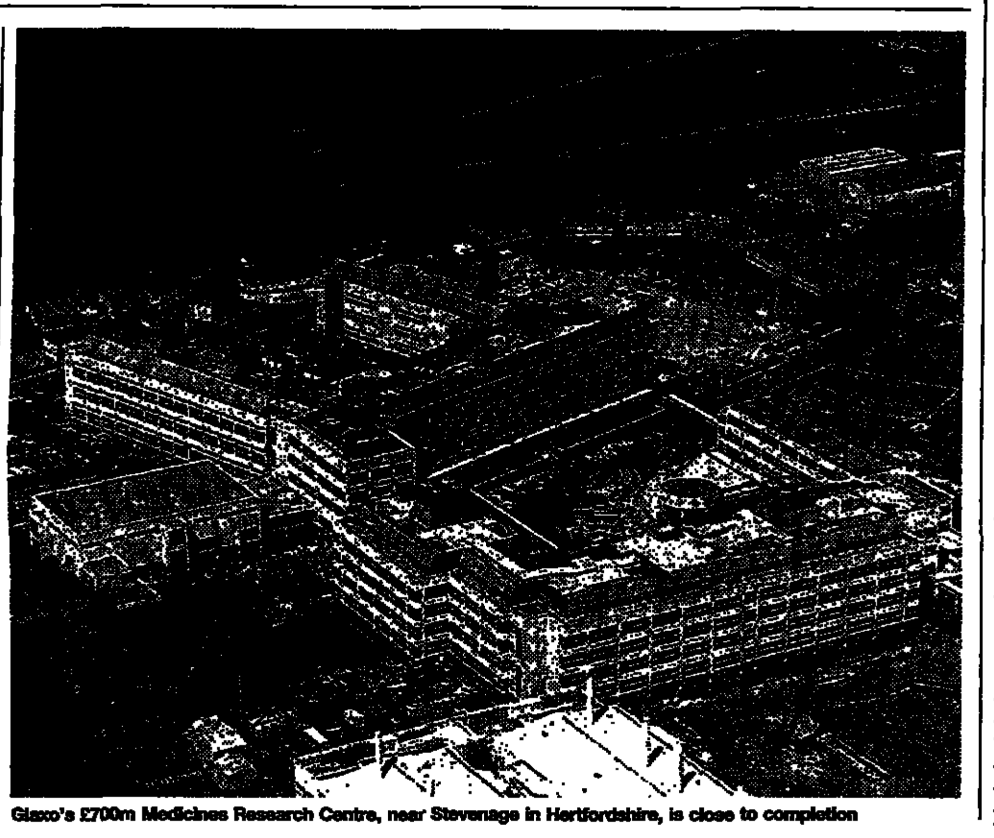
Across the pharmaceutical industry, between 15 per cent and 25 per cent of R&D spending is already external, says Switzerland's Roche. "This has been rising recently and will continue to rise," it says.

The importance of the change is probably understated in the official R&D figures. Many pharmaceutical companies have taken equity stakes in biotechnology companies as a means of gaining access to expertise. Such stakes are classed as investments rather than R&D spending.

If drugs industry executives needed further convincing of the wisdom of spreading the R&D risk, they need only look at how some manufacturers conspicuously fail to benefit from even very high levels of in-house spending.

Syntex of the US ranked number one in 1993 among large pharmaceuticals companies for R&D spending as a proportion of total sales. Yet it failed to invent a replacement for its big-selling anti-inflammatory drug Naprosyn which lost patent protection in the US last year. In April Syntex was taken over by Roche.

The genuine breakthrough that Syntex needed is by its nature more elusive than a drug adapted from an existing product. Perhaps it is more likely to be found by highly motivated geniuses working for small companies. Drugs companies are prepared to pay a lot of money to find out.



Glaxo's £700m Medicines Research Centre, near Stevenage in Hertfordshire, is close to completion

Collaborate to innovate and survive

Alan Cane examines why electronics companies are joining forces to share costs

Electronics companies that were once bitter enemies are forming unprecedented alliances aimed at cutting research and development costs and improving effectiveness. Collaboration has become the name of the game at an international level, as companies find themselves squeezed between spiralling research costs and revenues forced down by recession and price competition.

For example, Unisys, one of the largest US computer manufacturers, has abandoned its own semiconductor operations, saving itself $100m (£67m) a year. The advanced chips for its new large machines will be made by International Business Machines, the world's largest computer company and still a fierce competitor. Unisys, marginally profitable after several troubled years, spent £348m on R&D last year, well down on the £505m spent in 1990 but still equivalent to 6.65 per cent of sales.

Many large companies in the electrical and electronics sector have found it necessary to cut R&D spending in line with reduced revenues. Siemens of Germany took premier place in the sector last year with spending of almost £3bn, a decline of 8 per cent on the year before. IBM, formerly the world's R&D powerhouse, was a whisker behind, but cut its spending by 13 per cent.

Bill O'Riordan of Imperial College, London, who is also head of research and advanced technology for ICL, the UK-based computer company owned by Fujitsu of Japan, says there are two reasons why collaboration has taken on a new importance.

First, no single company can afford the costs of building and managing systems of today's complexity without help. ICL benefited greatly throughout the 1980s from an alliance with Fujitsu which gave it privileged access to the Japanese company's semiconductor technology.

It was an appreciation, however, of the funding level necessary to stay at the forefront of innovation that led the company to takeover by Fujitsu. Today, ICL, at £206m a year, spends substantially more than any other non-listed UK company; ICL's R&D represents 7.96 per cent of its £2.6bn sales.

Second, unless companies collaborate, their ability to respond quickly to change deteriorates. The value of the experience built up by their scientists and engineers withers in a rapidly changing environment unless they are exposed to fresh stimuli. O'Riordan says: "When you collaborate, you innovate; when you don't, you invent."

For many companies, collaboration has become an essential feature of corporate restructuring. Amdahl, a US company which pioneered plug-compatible mainframe computers, functionally identical to IBM's, seemed in trouble a year ago. Sales were stagnant as customers turned away from mainframes towards apparently more cost-effective networked computer systems. R&D spending was, at £226m, 19.9 per cent of sales, the second highest in the global ranking.

Amdahl's business plan called for the company to move down from sales of $2.5bn to $1.5bn. R&D spending had to be brought in line. The solution was a technology collaboration with Fujitsu, owner of a minority stake in the company.

Amdahl abandoned ECL (emitter-coupled logic) circuitry, which is fast but pricey, in favour of Fujitsu's cheaper CMOS (complementary metal oxide silicon) alternative. Fujitsu now designs and builds the computer; Amdahl builds in the features which enable the machines to compete directly with IBM.

The leading semiconductor companies, Intel and Motorola of the US, have pushed up R&D spending by 24 per cent and 16 per cent respectively as they battle to maintain their chip designs as industry standards. Even they are finding collaboration with other companies essential.

Motorola, Apple and IBM are working together on a design called "Power PC". Last week, Intel and Hewlett-Packard announced they were working together on a new generation of microprocessor chips which could dictate the direction of computer technology into the next century.

Software companies are, for the moment, an exception to the trend. SAP of Germany spends 25 per cent of its £428m revenues in developing R3, a highly successful accounting package. Quality Software Products of the UK has spent £16m over the past few years in developing a competitive product. Bigger software companies often buy smaller ones to add an attractive software product to their catalogue without incurring R&D costs.

The pressure to spend on R&D has in no way diminished. In the future most companies will be able to survive and advance only by sharing costs.

RANKING OF TOP 100 UK COMPANIES BY R&D EXPENDITURE

Company	Current R&D spend £'000	Sales £m	R&D as a % of sales	Dividends £'000	R&D as a % of divs	p/e ratio	Previous R&D spend 1992 £'000	1991 £'000	1990 £'000
■ All companies composite	7,097,412	465,670	1.56	14,315,141	49.6		6,521,107	6,204,312	5,824,668
Glaxo	739,000	4,930	14.99	667,000	110.8	15.5	595,000	475,000	399,000
SmithKline Beecham	575,000	6,164	9.33	326,000	176.4	14.5	478,000	432,000	393,000
Shell Transport & Trading	529,000	83,748	0.63	2,375,000	22.3	22.4	499,000	472,000	473,000
Unilever	518,000	27,863	1.86	537,000	96.5	16.4	461,000	426,000	408,000
Zeneca	490,000	4,440	11.04	260,000	188.5	49.7	468,000	na	na
General Electric	396,000	5,612	7.09	278,000	143.2	16.5	417,000	435,000	390,000
Wellcome	325,500	2,041	15.95	149,800	217.3	20.5	254,600	229,700	221,200
Rolls-Royce	253,000	3,518	7.19	56,000	451.8	na	229,000	216,000	237,000
British Petroleum	237,000	34,950	0.68	457,000	51.9	28.6	315,000	308,000	329,000
British Telecom	233,000	13,242	1.76	967,000	24.1	16.3	240,000	243,000	226,000
ICI	177,000	8,430	2.1	199,000	88.9	na	189,000	586,000	591,000
British Aerospace	168,000	10,760	1.56	31,000	541.9	na	151,000	263,000	236,000
Reuters	110,000	1,874	5.87	105,000	104.8	29.8	78,500	67,300	61,800
BTR	101,000	9,772	1.03	421,000	24	20.9	93,000	55,000	59,000
Fisons	94,500	1,324	7.14	29,700	318.2	12.4	85,500	77,400	68,900
Lucas Industries	90,600	2,434	3.73	49,600	183.1	na	98,300	104,100	98,900
BOC	85,300	3,068	2.78	110,000	77.5	13.8	81,200	63,700	62,200
British Gas	80,000	10,386	0.77	628,000	12.7	16.6	89,000	90,000	88,000
Racal Electronics	72,997	1,273	5.73	172,848	42.2	24.4	78,514	95,832	80,347
Siebe	70,000	1,619	4.32	38,800	180.4	16.9	64,900	77,600	46,600
Boots	66,800	3,982	1.69	139,000	48.1	18	58,900	53,700	49,000
GKN	66,000	2,022	3.26	54,100	122	35.2	58,000	56,000	59,000
Pilkington	49,900	2,573	1.94	31,300	159.4	44.4	52,300	58,300	54,800
Smiths Industries	48,600	726	6.69	35,300	137.7	15.3	45,900	43,600	43,900
TI	48,500	1,393	3.48	52,300	92.7	27.4	38,800	24,500	22,000
T&N	42,000	1,662	2.53	50,100	83.8	29	34,200	28,900	25,900
Grand Metropolitan	41,000	8,120	0.51	249,000	16.5	14	35,000	34,000	35,000
BAT Industries	40,000	17,879	0.22	618,000	6.5	16.7	41,000	36,000	34,000
Burmah Castrol	40,000	2,758	1.45	52,700	75.9	19.5	36,800	33,700	17,500
Courtaulds	38,600	2,074	1.86	56,200	68.7	15.3	37,700	36,100	40,900
BBA	35,900	1,417	2.53	30,300	118.5	16.7	32,400	29,300	29,100
Smith & Nephew	29,100	949	3.07	52,700	55.2	16.6	24,300	20,200	17,000
Vickers	27,800	680	4.08	9,900	280.8	na	23,900	23,600	23,500
BICC	27,000	3,918	0.69	68,000	39.7	na	24,000	27,000	25,000
British Steel	26,000	4,303	0.6	20,000	130	na	26,000	30,000	26,000
Thorn EMI	22,600	4,452	0.51	128,800	17.5	22.9	26,800	30,100	35,100
Tate & Lyle	22,200	3,696	0.6	46,500	47.7	12.1	11,800	12,100	12,200
Johnson Matthey	21,700	1,854	1.17	19,100	113.6	18.7	20,600	22,400	22,000
Hanson	20,000	9,760	0.21	551,000	3.6	13.2	26,000	34,000	34,000
National Power	20,000	4,348	0.46	135,000	14.8	11.2	17,000	26,000	22,000
Cookson	20,000	1,353	1.48	35,200	56.8	31.6	20,300	16,200	22,300
United Biscuits	19,500	3,445	0.57	76,900	25.4	22.3	17,800	15,000	14,100
Reckitt & Colman	19,120	2,098	0.91	65,770	29.1	16.6	15,940	15,240	13,310
VSEL	19,068	442	4.31	10,765	177.1	7.4	4,197	8,205	2,776
Micro Focus	18,554	84	22.09	0	na	9.4	13,580	10,297	7,326
Carlton Communications	17,322	1,005	1.72	37,213	46.5	22.7	16,714	15,408	15,796
Trafalgar House	17,200	3,879	0.44	34,300	50.1	7.6	15,000	6,300	na
Amersham International	15,900	269	5.91	7,500	212	26.7	14,800	17,000	25,497
Charter	15,200	1,205	1.26	23,300	65.2	18.1	15,800	6,600	7,700
Williams	15,200	1,213	1.25	62,600	24.3	19.6	12,800	11,961	9,896
Westland	14,700	448	3.28	5,900	249.2	20.2	10,800	12,500	10,600
Sema	14,624	502	2.91	2,880	508	25.1	13,170	14,040	12,680
Vodafone	14,527	664	2.19	69,965	20.8	18.6	9,957	23,061	10,615
English China Clays	14,100	1,131	1.25	58,500	24.1	26.8	10,500	11,700	13,600
ACT	14,015	153	9.16	6,831	205.2	16.6	10,304	5,557	1,858
Booker	13,400	3,569	0.38	46,400	28.9	36.1	13,400	13,600	12,800
Unitech	13,281	253	5.25	4,168	318.6	na	12,494	10,307	12,567
Arjo Wiggins Appleton	13,200	2,727	0.48	48,700	27.1	38.4	14,800	13,500	10,300
Morgan Crucible	13,100	793	1.65	27,500	47.6	19.5	12,100	12,800	10,100
Cadbury Schweppes	12,900	3,725	0.35	116,400	11.1	18	11,800	12,400	11,200
Bowthorpe	12,636	334	3.78	12,455	101.5	23.5	8,885	6,004	6,815
RTZ	12,000	3,184	0.38	213,800	5.6	na	7,000	17,000	17,000
Cray Electronics	11,838	201	5.89	3,041	389.3	11.7	3,371	3,210	3,000
Madeva	11,806	200	5.9	7,386	159.9	11.1	5,715	2,509	3,085
EMI	11,700	1,065	1.1	32,500	36	29	10,300	9,000	10,300
De La Rue	11,100	560	1.98	32,600	34	21.2	6,800	5,356	7,587
Meggitt	11,034	360	3.07	8,480	130.1	16.5	na	na	na
Pearson	10,900	1,870	0.58	71,500	15.1	33	8,200	9,700	8,800
Dalgety	10,800	4,470	0.24	46,700	23.1	13.7	10,000	9,600	na
BSG International	10,600	574	1.85	8,373	126.6	21.8	8,900	7,900	7,400
APV	10,500	906	1.16	15,900	66	na	11,000	9,200	11,000
Hillsdown	10,500	4,595	0.23	60,600	17.3	12.6	10,400	11,300	na
Argyle	10,400	2,748	0.38	0	na	na	10,500	9,500	8,500
Redland	10,000	2,216	0.45	128,100	7.8	34	9,700	9,600	8,200
Powergen	10,000	3,188	0.31	82,000	12.2	10.7	12,000	14,200	5,100
Laporte	9,800	877	1.12	39,500	24.8	20.4	6,100	4,400	4,200
Celltech	8,743	14	62.45	0	na	na	9,833	10,616	8,791
Tomkins	8,600	2,060	0.42	70,800	12.1	17.1	6,890	4,845	3,804
Scotia	8,520	15	56.8	0	na	na	3,671	6,809	na
Severn Trent	8,200	905	0.91	75,100	10.9	7.5	6,400	4,300	2,500
Laird	8,100	624	1.3	12,500	64.8	17	7,400	6,437	6,703
Allied-Lyons	8,000	5,266	0.15	185,000	4.3	13.8	7,000	7,000	6,000
Hepworth	7,900	655	1.21	34,000	23.2	18.5	7,700	7,700	6,600
Rank Organisation	7,900	2,107	0.38	5,900	133.9	23.2	10,500	11,700	9,600
CE Heath	7,718	158	4.89	10,287	75	20.7	6,149	5,261	1,507
Eurotherm	7,622	159	4.78	4,183	179.4	28.7	7,558	8,489	9,273
Allied Colloids	7,421	295	2.52	11,258	65.9	18.3	7,224	7,268	5,892
Croda International	7,200	415	1.74	11,000	65.5	19.1	6,100	6,000	5,200
Oxford Instruments	7,196	101	7.13	2,178	330.4	15.8	8,069	8,027	6,753
Thames Water	7,100	1,043	0.68	81,700	8.7	10.4	7,000	7,000	4,100
Molins	6,900	203	3.4	4,790	144.1	13.8	6,200	5,600	5,800
Bowater	6,800	2,112	0.32	62,800	10.8	19	5,000	3,400	2,400
Coats Viyella	6,700	2,444	0.27	53,200	12.6	35.7	7,500	7,000	7,000
Simon Engineering	6,642	386	1.72	0	na	na	7,226	6,679	6,321
FR	6,600	185	3.57	5,700	115.8	10.9	7,800	7,700	7,500
Peak	6,492	101	6.43	4,007	162	22.5	6,677	4,871	3,873
Dobson Park Industries	6,404	123	5.21	4,658	137.5	13.9	5,566	4,479	5,301
Blue Circle Industries	6,400	1,679	0.38	77,700	8.2	na	6,500	5,000	7,500
Avon Rubber	6,173	266	2.32	4,109	150.2	20.3	5,640	4,251	1,311
Grasby	6,064	114	5.32	4,221	143.7	34.3	5,714	5,616	3,725

Scott Inquiry takes centre stage

Malcolm Rutherford reviews 'Half the Picture' at the Tricycle Theatre

The best tribute to Richard Norton-Taylor's dramatised version of the Scott Inquiry into British arms sales to Iraq is the discussion it provokes at the end. This takes place in the theatre with a formal chairman, a panel of lawyers, journalists, politicians and, as with *Question Time* on television, the audience is encouraged to join in.

On the first night Paul Henderson, managing director of Matrix Churchill, the company that supplied the weapons material, was a member of the panel. He said that the stage version, including its portrayal of him as a man who spied for his country then was shopped by his own government, was broadly accurate.

For the rest, there was a split among the audience between those who believed that practically any kind of arms sales is immoral and those who recognised that the central point is that the government was prepared to let people who had helped it go to prison and sought to conceal the evidence that would have protected them. In between, on which there was little disagreement, there was a great deal about excessive government secrecy.

That is the trouble with Scott Inquiry. What precisely is it about? We shall not know the full answer until we have the Scott report towards the end of the year, by which time many of the ministers involved may be out of office. Some of them, like Alan Clark, already are.

So it is not surprising that it is also the problem with Norton-Taylor's piece. *Half the Picture* takes its name from a statement by Sir Robin Butler, the cabinet secretary and head of the civil service, on answering questions in Parliament: "You should not try to mislead... You give some information that you safely can... Half the picture can be true".

Norton-Taylor is a journalist on the *Guardian* who has long campaigned for greater freedom of information. There are no particular distortions, except perhaps in tone of voice, in *Half The Picture*. Almost every word is taken from written or spoken evidence to the Scott Inquiry.

How far you appreciate it may depend on how well you know the subject, and we would all know the subject even better if the inquiry had been televised in the first place. The word is that Sir Richard Scott turned down the request because he regarded television as a medium mainly for entertainment.

Scott was wrong: his hearings would have made riveting television by any standards, both entertaining and informative. If you can televise Parliament, including Select Committees, surely there is a compelling case for televising a public inquiry into the working of government.

Norton-Taylor does well with the material on stage. All the characters are there. Sylvia Syms is a severe Lady Thatcher and avoids falling too far into parody. Jan Chappell is a precocious pushy Presiley Baxendale QC, the woman who asks most of the questions. Michael Stroud plays Scott.

Arguably the piece is too kind to Alan Clark who has become a cult figure even with a predominantly left wing audience in Kilburn. Played by Jeremy Clyde he is almost cheered for his outrageous nonchalance. Norton-Taylor, too, plainly has a soft spot for Michael Heseltine (David Robb) who is the nearest to a hero on the government side.

Directed by Nicolas Kent, *Half The Picture* remains a documentary rather than a play, but it is an outstanding example of the theatre as a place for public discussion.

Tricycle Theatre, London NW6, (071) 328 1000

Alastair Muir

Michael Stroud and Jan Chappell in Norton-Taylor's drama on the inquiry into British arms sale to Iraq

Alastair Muir

Damian Lewis: a striking young Hamlet with a tide of Tudor red hair

Dance/**Clement Crisp**

Mountains made of sheer self-indulgence

Mountains made of barking says Wim Vandekeybus. An evening made of torment, say I. A theatre-piece made of modish nonsense. An event made of mindless aggression, irrational posturing, cheap effects.

Five years ago we saw Vandekeybus' London debut with *What the body does not remember*, which told of the new dance-theatre emerging in Belgium. It might look at moments like Euro-crash – bodies slamming to the floor; danger the essential in every step – but its emotional force and wild logic, its skilled disdain for hazard, were hugely effective. I called it "essential viewing" in these pages.

Since then Vandekeybus has become popular, much seen on the international post-modern circuit – one of the less engaging circles of hell – and he has returned to London with creations in which dance has seemed increasingly unenterprising, increasingly a slave of an oblique, angry theatre. It is, I suppose, par for the course in our dislocated age, and one must accept the work of Vandekeybus and his fellow choreographers as symptomatic of a time when new dance-theatre makes much of anxiety and frustration, and little of movement invention.

But I find Vandekeybus' latest piece – seen at the Queen Elizabeth Hall on Tuesday and Wednesday – self-indulgent and unworthy. The illogicalities of nightmare, a trip to film in North Africa, the presence of a blind Moroccan actor in his troupe, seem part of the paraphernalia of this 90 minute trial. Other ingredient include Vandekeybus' favoured slam-dancing procedures (which look very old-fashioned nowadays); din (the thump of drums reverberating in one's chest-bone); kamikaze relationships between men and women; a German chap haranguing us; Vandekeybus' home-movies of "My trip to Morocco" to bore us; something nasty happening to a chicken on film; male nudity and public washing (completed by a shower of sand – and grit in the underpants); a tea-party; a girl having her ears cleaned; chatter; furry masks; a palanquin made of brooms. (What a list!) It is a sequence of demonic energy and diabolical racket, and is as muddled and pointless as someone else's nightmare – when you bite back the words: "See an analyst."

As an exercise in re-heated surrealism – lacking, alas, the elegance of means that earlier games with the psyche had – it is an unmitigated vexation to the spirit. I do not find that Vandekeybus thinks at any moment as a choreographer in *Mountains made of barking*. Dance for him is a blunt instrument with which to hammer home brute theatrical points. He has an eye for quick and predictable design effects and for the coarsest stage tricks. The result has the unfocussed vehemence of a mob, and is about as enjoyable to watch.

■ *On Monday in my piece on Lost Ballerinas, I was misinformed about the cost of putting a student through the ENB school, which should have read £14,700.*

Theatre/**Alastair Macaulay**

Hamlet in the Park

This most excellent canopy the air, look you... It makes a difference to when you can see the firmament Hamlet is talking about, and here is one of the gains of watching *Hamlet* in the Open Air Theatre in Regent's Park. With the sky above he counts himself king of infinite space; amid the theatre he might be bounded in a nutshell.

The three other strengths of Tim Pigott-Smith's staging are its clarity of utterance, its concision, and its protagonist. Every word registers, even from actors who a fortnight ago were often inaudible in *A Midsummer Night's Dream*. The play has been cut (not only is Hamlet's address to the players gone, so is the play the players usually speak) so tautly that the audience's attention never flags. As for young Damian Lewis (just a year out of drama school) as Hamlet, everything he does has the audience firmly held.

Strikingly equipped with a tide of Tudor red hair, burning blue eyes, heroic bones and good build, this Hamlet works hard to win his authority over the play, but win it he does. He speaks the lines "with good accent and good discretion", and he has both virility and stillness. He is a Hamlet both Romantic (frozen in melancholy, vivid in action) and modern (playing at crude aperies in his "madness", sardonically rude). He manages both to relate freshly to everyone else onstage and to suggest that Hamlet's mind is always at one remove from everyone around him.

Remarkably, he achieves this by working within very narrow confines. His vocal register is seldom more than a minor third, he makes no particular play between *piano* and *forte*, he employs no great contrasts of speed during his soliloquies. Yet one attends to him. He has not yet bent the role to his will, has not relaxed within its rigours so that we trust his command of it, is still shifting in his way of addressing the audience – and yet one attends to him.

Apart from the open air, the strengths of this staging are clarity, concision and its protagonist

One attends to his chief colleagues, but with considerable less gratitude. Ophelia (Rebecca Egan) is a pushy modern miss. Gertrude (Pamela Miles) a slow and unemotional marshmallow, Claudius (Paul Freeman) a flamboyant thespian of flashing eyes and rolling Rs, Polonius (David Collings) a tepid old trouper. Everything the last three actors do tells us, with emphatically actorish deliberation, that they are actors of the Old School – a school so old one thought it was dead. Their experience makes its effect, but I cannot believe in their characterisations for a moment.

The production is set, more or less, in Georgian times: Empire-line dresses, frock coats, trousers and waistcoats. The way poor Gertrude kept hitching her skirts around told us only too clearly that the 19th century just wasn't her time; she only relaxed when put into a nightie for the closet scene. And why has the designer, Tanya McCallin, allowed Gertrude and Ophelia to wear hairdos that are so blatantly modern that they clash with their frocks? The effect is cheap – as if the Open Air Theatre could not afford wigs. But these irritations are peripheral. *Hamlet* is alive in Regent's Park, and Hamlet is more than promising.

In repertory at the Open Air Theatre, Regent's Park, NW1

Baroque opera/**John Allison**

Peri's 'Euridice'

Opera, one of the first musical innovations of the Baroque period, was represented at this year's Lufthansa Festival of Baroque Music – celebrating its tenth anniversary – by Jacopo Peri's *Euridice*, the earliest surviving opera. But *Euridice* is not a work best encountered, as on Wednesday at St James's Church, Piccadilly, in concert form: apart from its novel, declamatory music the interest lies in the way Peri, the so-called "inventor" of opera, was exploring the theatrical possibilities of the new medium.

Euridice (1600) does not require a complicated staging. The action, which departs from the tragic myth and returns Eurydice to Orpheus – a happy end was required since the opera was written as a wedding entertainment – is straightforward; the settings, a forest glade and the underworld, can be left to the spectator's imagination. In the absence of these, the dramatic burden falls on the music, and Wednesday's performance was too cool and reflective.

The "period" group Combattimento has a fine sense of musical style, but David Roblou's direction from the keyboards – harpsichord, organ, regal – was often over-relaxed. Some of the singers treated *Euridice* as an oratorio, singing with little inflection of tone, which is fine for the limited emotions of sacred music but makes for no dramatic spark. Even some who had to impersonate more than one character seemed limited to a single vocal colour. There were a few outstanding exceptions, in each case the singers best able to make something of the Italian text.

Mark Tucker was a poignant tenor Orpheus (a role first taken by the composer himself), and found emotion in every word of his excellent Italian. Liliana Mazzarri was a charming Eurydice – though the title role, a small part – and she, too, had the temperament the music requires. Sarah Connolly's Tragedy sang the Prologue with poise, and Kym Amps made something of her Nymph and Venus. Ian Caddy's powerful Pluto outsang them all, and his simple gestures helped: the Pluto-Orpheus encounter was one of the few episodes all evening to come to convincing life.

The Lufthansa Festival of Baroque Music continues at St James's, Piccadilly, and the Wigmore Hall until June 30.

INTERNATIONAL ARTS GUIDE

■ EXHIBITIONS GUIDE

AMSTERDAM

Van Gogh Museum Van Gogh's Self-Portraits: 20 paintings and two drawings dating from his stay in Paris 1886-7. Ends Oct 9. Daily

Rijksmuseum Flowers and Plants: flora and fauna in five centuries of prints and drawings. Ends July 31. Closed Mon

BERLIN

Museum für Indische Kunst Lost Empire of the Silk Road: a remarkable collection of 87 well-preserved pieces of Buddhist art from the tenth to 13th centuries. Ends July 3. Closed Mon

Haus der Kulturen der Welt Tanzania: masterworks of African sculpture. Ends Aug 7. Closed Mon

BERNE

Kunstmuseum Balthus (b1908): drawings by the French painter, now resident in Switzerland. Ends Sep 4. Closed Mon

BONN

Kunst- und Ausstellungshalle The Century of the Avant-Garde in Central and Eastern Europe: 700 works by 200 painters and sculptors, offering a thematic guide to the main artistic developments of the past century. Ends Oct 16. Closed Mon

BRUSSELS

Palais des Beaux-Arts Robert Smithson: retrospective of the American artist, one of the founders of Land Art. Ends Aug 31. Closed Mon

COLOGNE

Museum Ludwig The Unknown Modigliani: 240 of the 440 hitherto unknown drawings amassed by Paul Alexandre before 1914. Ends July 10. Closed Mon

DIJON

Musée Magnin Sculptors' Designs 1850-1950: a survey of developments in sculptural art from Daumier, Degas and Rodin to Giacometti and Picasso. Ends Sep 11. Closed Mon

DUSSELDORF

Hetjens-Museum Ceramic Works of Picasso, Miró and Tàpie: around 90 works by three major Catalan artists of the 20th century, ranging from Picasso's decorative owls and figurines to Tàpies' massive sculptures. Ends Aug 28. Closed Mon

GENEVA

Petit Palais The Family: from Bazille to Picasso, a thematic series of paintings. Ends Oct 31. Daily

LAUSANNE

Musée d'Art Contemporain Contemporary Picasso: 80 works 1946-1971, including 30 paintings and a dozen sculptures. Ends Sep 25. Daily

Musée Olympique Miró: 41 sculptures covering his entire career, plus 13 prints from the 1960s and 70s. Ends Sep 4. Daily

LONDON

Tate Gallery R.B. Kitaj (b1932): retrospective of the American-born artist who has lived in Britain since the 1950s and is now regarded as one of the outstanding figurative painters of his generation. Ends Sep 4. Daily

Victoria and Albert Museum Pugin - A Gothic Passion: the first exhibition to look at the life, work and influence of one of the most important designers of the 19th century. Father of the Victorian Gothic revival, Augustus Welby Northmore Pugin (1812-1852) is probably best known for his collaboration with Charles Barry on the design of the Houses of Parliament at Westminster. Ends Sep 11. A new Glass Gallery has been opened to display over 6,000 objects, illustrating the history and development of glass over the past four millenia. Daily

National Gallery From Caspar David Friedrich to Ferdinand Hodler, A Romantic Tradition - Paintings and Drawings from the Oskar Reinhart Foundation: 130 works from one of Europe's finest collections of German, Austrian and Swiss art of the 19th century. Ends Sep 4. Daily

Accademia Italiana Michelangelo - An Invitation to Casa Buonarotti: 15 drawings, plus letters and books. Ends July 24. Daily

British Museum Indian Paintings and Drawings from the Collection of Howard Hodgkin. Ends Aug 21. German Printmaking in the Age of Goethe. Ends Sep 11. Daily

Eskenazi Yuan and Early Ming Blue and White Porcelain: 26 rare pieces dating from 1340 to 1435, mostly from private collections. Ends July 8. Closed Sat and Sun (10 Clifford Street W1)

LUGANO

Villa Favorita Europe and America: 19th and 20th century oil paintings and watercolours. The Thyssen-Bornemisza Foundation's summer exhibition consists of 150 works ranging from the Hudson River School to examples of Cubism, German Expressionism, the Russian avant-garde, Dada, Surrealism and Pop Art. Ends Oct 30. Closed Mon. No parking facilities: take Bus no 1 (tel 091-516152)

MADRID

Centro de Arte Reina Sofia Gerhard Richter: 100 works by one of the key figures in contemporary German art. Ends Aug 22. Closed Tues

Fundacion Juan March Isamu Noguchi (1904-88): 58 outdoor sculptures expressing the oriental and western cultural traditions inherited by Noguchi, an American artist of Japanese origin. Ends June 26. Daily

Castellana Fernando Botero: an outdoor parade of 21 of the Colombian sculptor's bulging bronzes. Ends Aug 12

MARTIGNY

Fondation Pierre Gianadda From Goya to Matisse: Masterworks of the 20th Century. Ends Nov 1. Daily

MUNICH

Haus der Kunst Elan Vital: an exhibition exploring the link between Kandinsky, Klee, Arp, Miro and Calder. Ends Aug 14. Closed Mon

Kunsthalle der Hypo-Kulturstiftung El Dorado: 300 gold and ceramic treasures from pre-colonial Colombia. Ends Sep 4. Daily

Akademie der schönen Künste The Russian Stage 1900-30: 190 treasures from Moscow. Ends June 26. Closed Mon

Neue Pinakothek Wilhelm Leibl (1844-1900): around 200 paintings and drawings offer a 150th anniversary retrospective of the Cologne artist who was the leader of German Realism in the late 19th century. Ends July 24. Closed Mon

NEW YORK

Metropolitan Museum of Art Petrus Christus: 22 paintings by the 15th century Netherlandish master, renowned for the jewel-like luminosity of his work. Ends July 31. Picasso and the Weeping Women: 80 paintings and works on paper from the 1930s and 1940s. Ends Sep 4. The Decorative Arts of Frank Lloyd Wright. Ends Sep 4. Closed Mon

Museum of Modern Art From Manet to Picasso - Masterpieces from the David and Peggy Rockefeller Collection. Ends Sep 6. Closed Wed

PARIS

Grand Palais The Origins of Impressionism 1859-69. Ends Aug 8. Closed Tues

Musée d'Art Moderne de la Ville de Paris Dutch Art of the 20th Century: the first part traces developments from Van Gogh to Mondrian, while the second focuses on ten contemporary artists. Ends July 17. Closed Mon (11 ave du President Wilson)

ROME

Palazzo delle Esposizioni Dada - The Art of Negation: 300 works. Ends June 30. Richard Long: eight installations by the British artist. Ends June 30. Closed Mon

San Michele Garden Theatres: drawings, engravings and scale models showing the lost baroque art of creating theatrical scenery using only carefully manicured plants and trees. Ends June 26. Closed Sun (Via di San Michele)

Museo del Folklore The Influence Of Egypt: how the cult of Egyptology influenced film-makers and strip-cartoon artists. All the decorative hieroglyphics are based on the numerous obelisks scattered around central Rome. Ends June 24. Closed Mon (Piazza S. Egidio)

STUTTGART

Staatsgalerie Picasso: a rare showing of 400 prints from a private collection, including portraits, still-lifes and many other themes. Ends Aug 14. Closed Mon

Linden-Museum Art of the Aborigines: 90 wood paintings, 40 sculptures and an installation. Ends Sep 25. Closed Mon

VENICE

Antichi granai della repubblica China in 220 BC - The Warriors of Xi'an: ten of the 7,000 lifesize terracotta soldiers who guarded the tomb of Emperor Qin Shihuangdi in central China, along with copies of war chariots and weapons discovered in one of this century's most dramatic digs. Ends Sep 11. Daily (the old granary on the tip of the Giudecca)

Palazzo Grassi Renaissance Architecture from Brunelleschi to Michelangelo: 250 works from European and American public collections. Ends Nov 6. Daily

Scuola Grande di San Rocco Tintoretto portraits. Ends July 10

WASHINGTON

National Gallery of Art Willem de Kooning's Paintings: 75 works by America's influential abstract expressionist. Ends Sep 5. From Minimal to Conceptual Art - Works from the Vogel Collection: 90 drawings, photographs, paintings and sculpture by contemporary artists. Ends Nov 27. Recent Prints and Sculpture from Gemini G.E.L.: a selection of work from the acclaimed contemporary art workshop in Los Angeles. Ends Oct 2. Daily

National Museum of American Art Thomas Cole: 70 works by the father of the Hudson River school of painting. Ends Aug 7. Mary Vaux Walcott: 50 watercolours by the early 20th century naturalist, explorer and artist. Ends Aug 29. Daily

Arthur M. Sackler Gallery Contemporary Porcelain from Japan. Ends Sep 5. Daily

ZURICH

Kunsthaus Dada: 150 paintings, drawings and collages, plus a large number of posters, letters and other documents relating to the nihilistic movement founded in Zurich in 1916. Ends Aug 21. Amor and Psyche around 1800: an artistic exploration of the classical Greek legend, with paintings and drawings by David, Picot, Meynier and others. Ends July 17. Closed Mon

Graphische Sammlung der ETH Kicking Boxes Billiard: European Art and Geometric Forms Since 1970. Ends July 15. Closed Sat and Sun

Drive into the rising sun

Michiyo Nakamoto on inroads US cars are making in Japan

Making its way down Tokyo's narrow city streets, Chrysler's sturdy Cherokee Jeep appears as outsized and out-of-place as its name might suggest.

But Yuki and Asami Nagashima are delighted with the US-made vehicle they bought this year, which offers the kind of spaciousness Japanese families increasingly crave but few Japanese cars can yet offer.

"At first, we hesitated," says Mrs Nagashima. "We thought an American car would consume a lot of petrol and break down easily. But we liked the Cherokee's style."

For the first time in decades, Japanese consumers are taking a serious look at American cars and are pleased with what they see.

While US and Japanese trade negotiators squabble over ways to break down trade barriers, US carmakers have lifted sales in Japan to unprecedented levels. General Motors, the biggest car manufacturer in the US, more than doubled registrations in Japan last year, to 28,700 units, including its German-made Opel model. Chrysler, the third biggest American manufacturer, saw registrations surge last year from *some 1,600 to 5,700. Ford also* boosted sales in 1993 by nearly 50 per cent to more than 5,400.

Although the figures are still small in comparison to total Japanese car sales of more than 4m last year, these successes have fuelled the ambitions of the Big Three US carmakers in a market once considered impenetrable.

"The Big Three will be able to sell 100,000 cars in the near term. That is not a dream but a reality," says Mr Yoshiaki Kanno, head of public relations at General Motors in Japan.

Chrysler says it expects to double sales this year to 13,000 vehicles. Ford hopes for a similar growth rate this year and talks optimistically about selling up to 100,000 imported cars by 2000 (in addition to cars sold with the Ford marque but manufactured by the Japanese Mazda group). GM is targeting 100,000 imported units for all GM brands by the turn of the century.

The Big Three's success in Japan and their confidence about the future, stem from several important changes in the US car industry, in the carmakers' approach to the Japanese market and in the Japanese market itself.

First, US cars are perceived in Japan as a much improved product, in sharp contrast to the perception a decade ago when the Big Three's cars were notorious for poor quality and high fuel consumption.

"The Big Three have put a lot of effort into raising their quality and there is little difference between US and Japanese cars," says Mr Atsushi Horigome of Tokyo Nissan Auto Sales, a dealer affiliated to the large Japanese carmaker, which recently began selling Fords.

Such recognition would have been unthinkable a few years ago when the widespread view in Japan was that American cars fell way behind Japanese standards. At the time, many Japanese joked that if you heard a noise under the bonnet of an American car it would be that of a Coke bottle left behind by the production line workers.

A second factor is the renewed confidence of US manufacturers who believe their latest models are highly competitive. "My Lincoln Continental drives 7km a litre. Fuel consumption is much better than Japanese cars of the same size," says Mr Konen Suzuki, president of Ford Motor Japan. The increased attractiveness of US cars has been helped by the growing number of Japanese travelling and living abroad. "People no longer see imported cars as something unfamiliar," says Mr Shoji Sugimoto, a director of Yanase, the car importer and dealer which sells GM cars.

US car exports to Japan: higher gear

(units)	GM	Ford	Chrysler
Jan 1994	529	465	659
1993	414	158	40
Change %	+27.8	+194.3	+1,548
Feb 1994	712	714	1,093
1993	[illegible]	[illegible]	156
Change	21	70	600
Mar 1994	875	1,100	1,608
1993	[illegible]	[illegible]	330
Change	-5.3	92	387
April 1994	687	921	1,273
1993	[illegible]	[illegible]	378
Change	13	108	237
May 1994	608	847	1,003
1993	[illegible]	[illegible]	501
Change	15	172	100

But better quality and an improved image alone do not account for the rising sales. Equally important has been the sharp fall of the dollar against the yen in recent months, which has made US cars more affordable.

The dollar's weakness has, for instance, led to a fall in the price of the Cherokee, from Y5.32m two years ago to Y3.7m (£23,600) today. The price of Ford's Taurus Wagon has fallen 10 per cent below that of a comparable Toyota.

US carmakers have also been helped by the uncharacteristic sluggishness of Japanese competitors' response to changes in market fashions. While US station wagons have become popular with Japanese families keen for more spacious vehicles, few Japanese carmakers have responded with a range of comparable estate cars. "Japanese station wagons are commercial vehicles," says one manager at a US car group scornfully.

This lapse by Japanese carmakers has provided US rivals with an opportunity to gain a toehold in the local market. At the same time, recession-hit *dealers, desperate to keep their* businesses going, are more willing than ever to sell foreign cars.

"If we can't make money selling Nissan cars, we'll just have to sell Ford cars," says Mr Masaru Izumi, chairman of Tokyo Nissan Auto Sales.

Such trends are encouraging US manufacturers to use Japan as a springboard for boosting sales in the region. "The Japanese market is the second biggest after North America. Success here means a big step forward in Asia," says Mr Osamu Nagata, marketing manager for Chrysler in Japan.

That explains why the Big Three are strengthening their sales and service networks in Japan, introducing more right-hand drive cars (the Japanese drive on the left) and adopting aggressive pricing strategies in an attempt to secure their foothold in the market.

Ford last month caused a big stir in the industry when it announced a price of Y2.29m for its 3,800cc 1994 Mustang – *cheaper than the nearest* equivalents, the 3,000cc Toyota Supra (Y2.9m) and the cheapest Nissan Fairlady Z (Y3.5m).

Ford says that while the *high* yen was a factor behind the low price, there were broader strategic considerations. "What Ford is trying to do is challenge Japanese makers," says Mr Konen Suzuki, president of Ford Motor Japan.

US car manufacturers realise that, in spite of their early successes, further efforts will still be needed to meet the high expectations of Japanese consumers. Pleased as they are with their Cherokee, the Nagashimas complain that the car is difficult to drive: "It's like a truck and the steering wheel is not in the right position for Japanese drivers," notes Mrs Nagashima.

US carmakers also face a race against time. Japanese manufacturers are beginning to reap the gains of a period of restructuring and the introduction of new, cheaper models that will be better placed to compete with American products. Ford's Mr Suzuki says: "Japanese carmakers will make a comeback. So we must win acceptance before that."

Joe Rogaly

The naked civic servants

Britain's Tories are in trouble because they are not thinking clearly. Their curse is not the recession; nor is it inept administration. It is intellectual. They suffer from what Mr David Willetts, a backbencher with a brain, calls "a dangerous uncertainty about the nature of modern Conservatism". You and I might have thought that the Tories are no longer useful because they behave as two parties, in two minds about what they stand for. Mr Willetts puts it differently. "The real problem," he writes in a pamphlet* out today, "is that Conservatives have become wary of relying as heavily on the free market as we appeared to do in the 1980s." Or, as Mr Daniel Finkelstein of the Social Market Foundation observes in a foreword, "the counter-revolution against a rationalist, abstract and universalist free market triumphalism continues to gather pace".

Tell us another one. Of *course that is what is happening.* Capitalism unfettered is being blamed for all our anxieties. The Thatcherite 1980s eroded the power of many respected *institutions.* Lady Thatcher acted on the advice of, among others, Mr Willetts himself. Much of the medicine was necessary, but there are these dratted side-effects. In the present decade we fear an unravelling of our polity, a disconcerting process whose end is not in sight. Everything is undermined – the civil service, the system of justice, the monarchy, the professions, the BBC. Mr Willetts defends market economics against these charges, but he does not exonerate "neo-Liberals". The trouble with *them,* he says, "is that they simply think in terms of the individual economic agent without any understanding of the institutions, values and ties which are not just good in themselves but are anyway essential for any real free market to thrive".

Ah yes, but that is not what the gentleman intimated *last* night. "Conservatives have made a useful alliance of convenience with the free-market neo-Liberals and *fought* many of the battles of the 1980s with them," the ungrateful brute confesses this morning. He didn't say that when he was enjoying *his alliance of convenience.* His song *now* is about enduring institutions, such as the family and the nation, not to mention important lasting values, such as honesty, prudence and generosity. These are as much part of the make-up of a true Conservative as good management practice, fiscal prudence, voluntary societies, a proper legal frame*work* – and the free market.

To declare a belief in minimal government and the free market is an insufficient response to the human need for a stable family

"The challenge facing both our main political parties," he writes, "is to formulate a coherent set of policies which shows that, as well as for the individual, there must be a role for collective action, but that collective action does not necessarily mean state action."

Mr Willetts has produced a robust defence of this currently apposite proposition. It is closely argued, often thought-provoking. "Civic conservatism" could catch on, as a phrase. Alas, the substance of his thesis is undermined by what *he leaves out. He clearly* favours local self-determination, but dodges the issue of local government, which his lot have all but destroyed. He defends the health and education reforms, but does not address the dangers of corruption inherent in appointments from the centre, made by ministers of his party. He warns of the "damage which enormous concentrations of economic, *political and legislative* power in the hands of government can do", but appears not to understand that over the past 15 years it is his, Conservative, government that has wielded that power.

Someone equal to the task should be brought forward to *rebut* him. Enter Dr John Gray, a political theorist and, once, a fellow-traveller among neo-Liberals. Dr Gray's pamphlet**, due next week, is advertised in *Mr Willetts's as* "one of a pair", which could be said of either Punch or Judy. Punch Gray will argue that the destruction of institutions and values has now gone so far as to be irreversible. We let the free market rip and now we must pay the price. There is no turning back to one-nation Toryism. The only remaining undisputed value in our society is choice, self realisation, individual advancement. You cannot recreate the traditional family, or a sense of duty and loyalty. It is too late. As Mr Willetts reminds us, Dr Gray is apt to quote Wittgenstein's remark that "trying to repair a broken tradition is like a man trying to mend a broken spider's web with his bare hands".

It could be that a reassembled tradition is offered by Mr *David Selbourne's The Principle of Duty,* published this week by Sinclair-Stevenson. This is one of those essays that most of us know is important but cannot quite understand. It is described as "the most comprehensive theory of civic society in English since Locke", *and perhaps that is so.* Mr Selbourne attempts to shift the basis of political theory from talk of rights to an equation, in which the duties of society to the citizen are matched by the duties of the citizen to society. As I read him, he challenges "self realisation through unimpeded *freedom of action*" as an overriding goal, but also rejects the notion that welfare and work are natural rights. His principle, he tells us "remains in essence a principle of moral expectation – the expectation that the citizen will respect the civic bond and voluntarily accept co-responsibility for the civic order – and of anticipatory moral disapproval if he does not".

What beats me is how the ethical expectations of any of these three contemporary political philosophers can be met in a secular society. On the other side of the Atlantic there is talk of certain values, such as "fairness" and "justice", as natural to the human condition. You do not need a religion to sustain them. They simply arise because, as conscious beings, we see the utility of them. This may be so, but every night the TV news suggests otherwise. We can be sure that to declare a belief in minimal government and the free market is an insufficient response to the need of most human beings to be part of a stable family in a settled community. Mr Willetts is right about that; so is Dr Gray. So, for that matter, is today's Labour party, which is another reason why the Conservatives are in such a deep hole.

**Civic Conservatism, by David Willetts. **The Undoing of Conservatism, by John Gray. Both £10 from the Social Market Foundation, 20 Queen Anne's Gate, London SW1H 9AA*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Broad approach to local government change is right

From Sir John Banham.

Sir, In your leader (June 14) you coined a new catch-phrase, the "Concorde fallacy" to describe the current review of local government structure in the English shires now being *undertaken by the Local Gov*ernment Commission – even though only half of our recommendations are as yet in the public domain.

As an occasional user of Concorde (although not at the public expense) I am always impressed with the vision, engineering genius, international co-operation and quality of service that makes it possible for me to arrive in New York before I have left London, and fit for work. It would be nice to think that those now closely involved with local government could match these characteristics.

The *fallacy in your own* approach, if I may say so, is shown in your last paragraph. You acknowledge a case for unitary status for Leicester *and Bristol, and for the aboli*tion of new counties such as Avon and Cleveland. But there is a substantial number of broadly similar places. If Leicester, why not Derby and Nottingham? And if not these, why not Plymouth, Portsmouth, Southampton and a good few others? And Humberside, Cumbria and Hereford and Worcester?

It must be right to pursue a broad approach to cover all the English shires and to allow these issues to be aired in front of the commission and local people so that we may all weigh the evidence for change. It was also right last year to speed the process up so that local government need not be in limbo for any longer than is necessary.

In undertaking the review, the commission, often alone among the many interests concerned, shares most of the concerns to which you now draw attention. First, the commission has always been clear that the law provides that it may propose no change in the current structure if that appears to be what local people want and local circumstances dictate.

Second, the commission has always been concerned to determine, as closely as can be, the true costs of reorganisation and has put these forward so that local people can judge whether they wish to pay the price (as in Rutland where it could be attained for the price of a pint of Ruddles a week for every household).

Third, we have been very concerned to maintain the strategic capability of local government. This has been one factor in our decision in many areas to recommend the retention of the county council and in our wish *in nearly every* area to retain the existing structure planning framework. It also underlines the commission's general preference for any unitary authorities in rural areas to be larger in population terms rather than smaller.

Fourth, the commission is clear that new councils should devolve management to the local level and provide a bigger role for local councils (an approach the government espouses in Scotland and Wales but so far seems unwilling to support in England).

Fifth, the commission is clear that the real stakeholders in local government, that is local people, should be closely involved in the process of deci*sion, often to the dismay of* local politicians who have their own interests to promote. That is why the commission is now embarking on an unprecedented exercise to consult every household on a range of possible structures, any of which we will be prepared to commend to the secretary of state.

Far from being an example of the "Concorde fallacy" the commission's approach to its task is aimed at testing all the arguments of the proponents for change thoroughly, including the financial arguments. Then, if change is to be made, it will be in the light of all the relevant facts. A similar approach to the development of Concorde would probably have resulted in it never having been built. What a shame that would have been!

Moreover, it is at least preferable to the "chattering classes" fallacy: the notion that officials (and leader writers) in London, often with no direct experience of rural life, know best what is good for the people in places like Cumberland, the Fens, Huntingdonshire and Rutland. All previous experience suggests that they do not.

John Banham,
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No mood for a shift to United States of Europe

From Dr Benn Steil.

Sir, Presented with a fourth slate of candidates for the Strasbourg parliament, Europeans were about as excited as they would be by a fourth plate of lasagne. But the European Union, like an Italian mother, just won't take "no" for an answer.

With recent polls revealing growing anti-Maastricht sentiment across Europe, "citizens of the European Union" were in no mood to ratify further moves toward the creation of a United States of Europe. Yet, with no outlet for legitimate desires to keep accountability lodged in national parliaments, Europeans used the European Parliament elections to deliver a loud, but garbled, message on the state of the union and domestic politics.

With voter turnout at its lowest since Euro-voting began in 1979, substantial numbers were effectively endorsing the closest thing to a pan-European movement; the movement *to stop further transfers of sov*ereign control to remote supranational institutions. Where well-financed, anti-Maastricht groupings were on offer, such *as in France,* voters *delivered* stinging rebukes to the main parties. As for the main parties, their representatives generally vied to woo voters either with nationalist lines or promises to pick the pork barrel better than the other side.

There are 567 MEPs who are the illegitimate children of this unedifying affair. They will form a new parliament resembling a Tower of Babel in ways other than linguistic. Article 138a of the Maastricht treaty emphasises the importance of European political parties "as a factor for integration within the Union". They contribute, we are told, "to forming a European awareness and to expressing the political will of the citizens of Europe".

With nine contrived and tenuous parliamentary groupings – some including anti-unionists, and the third largest being the "non-attached" – anyone with a "European awareness" should recognise that they cannot manifest a "political will".

Despite the parliament's dubious pedigree, there is a disturbing, almost religious, aura attached to its status as a "democratically elected" institution.

Newly elected MEPs are already crowing about their mission to bring the Union under "democratic control and scrutiny", which will largely consist of exercising their new powers of obstruction under Maastricht provisions. MEPs of all political hues have united behind gratuitous threats to veto new commissioners and legislation, all in the service of arrogating more powers from national governments, and thereby contributing to the construction of the United States of Europe which Europeans have been saying they don't want.

"There can be collective European ventures only if the citizens take an interest and are convinced that the overall direction is the right one" – the words of Commission president Jacques Delors. This time, at least, it is worth taking him seriously.

Benn Steil,
senior research fellow,
International Economics Programme,
The Royal Institute of International Affairs,
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Where does Blair stand on EU?

From Mr S G Grant.

Sir, In your interesting interview with Tony Blair ("A marketable Danger Man", June 11/12), it would have been helpful had be outlined his standpoint on the issue of European Union. John Major has been criticised, rightly or wrongly, for changing his mind over a two-speed Europe. It has to be remembered however, that Mr Blair, together with Margaret Beckett, the acting Labour leader, and John Prescott, acquiesced in Labour's policy commitment at the 1983 general election to leave the European Community.

S G Grant,
23 Sollershott West,
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Explanation on abuses needed

From Mr A Joseph.

Sir, If Mr Kit Jebens, chief executive of Lautro, the life assurance industry regulator, believes that "the level of abuses is now at a more acceptable level" – as quoted in your article, "When he dies my dear, all this will be yours" (June 11) – then could we please be informed what is this acceptable level. How does it compare with what Lautro thinks is an acceptable level of abuse in other professions?

A Joseph,
White House Farm,
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Yorkshire DL6 3LQ

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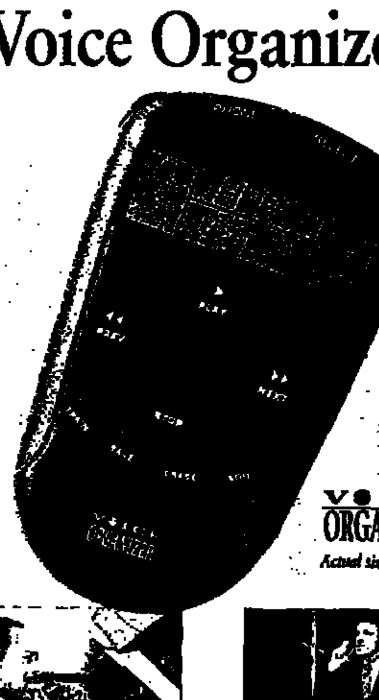

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Friday June 17 1994

Sanctions and N Korea

That western countries would move towards imposing sanctions upon North Korea was inevitable following its removal of fuel rods from the Yongbyon reactor with the apparent intent to make nuclear bombs. Coupled with its refusal to permit adequate inspections and its withdrawal from the International Atomic Energy Agency, which carries out the inspections, this action deserved a response – otherwise the Nuclear Non-Proliferation Treaty would be worthless.

As drafted by the US, the sanctions would be mild, and preceded by a grace period to give Pyongyang another chance to comply. The avoidance of more provocative measures is sensible: the world must continue to avoid the temptation to over-react. Though NPT principles are important, it should be remembered that India and Pakistan have developed nuclear capabilities with impunity. It has to be taken into account that North Korea is a small, isolated country run by an aged maverick who wants more international respect and has very few cards to play. The decision to draft moderate sanctions is also useful in that it helps to fend off hotheads in the US who are calling for precipitate action against Kim Il-sung – including former senior officials who ought to know better. At the same time, the proposed measures have a better chance of achieving an international consensus than would more draconian punishment.

However, it would be pointless to pretend that the action contemplated will have much actual effect upon North Koreans, who eke out a poor but largely self-reliant existence. International contacts are so few that their reduction will barely be noticed. The US has stopped short of proposing a cut-off of foreign transfers of money because this would probably not be acceptable to Japan.

Given the absence of real impact, and the possible consequences of imposing sanctions at all – North Korea promises to wage a "pitiless war" – diplomatic efforts to resolve the crisis without sanctions must be persevered with until the last possible moment.

Former President Jimmy Carter's current visit to Pyongyang may prove useful. But China seems to hold the real key – especially as it can veto sanctions if it believes that their time has not yet arrived. Beijing's efforts to re-engage Pyongyang over the past week, playing host to officials including its chief of staff, should be given time to work.

China and Japan, which with South Korea have the most to lose immediately from failure to resolve the crisis, have traditionally held back from direct involvement in international disputes. The failure so far of US-led efforts to bring North Korea round puts an extra onus upon them to use their influence to do so, to which Beijing and Tokyo appear to be responding. An Asian diplomatic solution to an Asian problem – backed by the threat of broader international action if necessary – is the desirable outcome.

Phone alliances

The $4.2bn alliance forged this week by France Telecom, Deutsche Telekom and Sprint, a US long-distance telecoms operator, should not be allowed to proceed until the French and German governments open their telecoms markets to full competition.

In the context of the liberalisation of telecoms services, international alliances are to be welcomed. In time, some four or five international alliances will compete as "single source" providers to multinationals. These alliances are set to offer more competition and better service than now – of particular benefit to Europe, which suffers from a multiplicity of national jurisdictions and excessive prices for cross-border calls.

Sprint operates in one of the world's most competitive telecoms markets. Whether France Telecom and Deutsche Telekom can add sufficient value to justify their large investments is a matter for them and their state shareholders. However, other US operators do have legitimate concerns about the use of monopoly revenues to aid Sprint, while Europe's consumers have a strong interest in Europe's monopolies being abolished before its monopolists attack other markets.

France Telecom and Deutsche Telekom claim that their alliance with Sprint will compete only in sectors – such as calling cards and data communications – already open to competition. They also stress that the Sprint deal will be completed only a year before full domestic liberalisation is achieved to meet the EU's 1998 deadline.

That is an unconvincing response. It is notoriously difficult to separate out costs in telecoms companies, particularly in the early years after the abolition of their monopolies. Even with regulators dedicated to the task, as in the US and UK, claims of unfair practice abound.

Only last month, Deutsche Telekom was found by Germany's Federal Cartel Administration to have been channelling large subsidies into its data division since the liberalisation of data telecoms in 1989. Until its principal markets are open, international competitors will have understandable doubts about the fairness of competition, while French and German consumers continue to be disadvantaged.

The 1998 EU deadline offers only marginal reassurance. It leaves the French and German voice monopolies intact for another three years. Furthermore, it does not extend to infrastructure liberalisation, vital to effective telecoms competition.

The European Commission is expected to recommend that provision of infrastructure also be liberalised in 1998. It is not, however, feasible for the EU to bring forward the 1998 deadline, given the careful balancing of interests it represents. So if the French and German governments support their companies' desire to invest billions overseas, they should be forced to allow competition at home.

Slipping market

For the European Commission and EU governments, lack of progress in making the single market work is becoming a severe embarrassment. Yesterday the Commission published a list showing that France, Germany, Greece and Ireland have the worst records in placing single market legislation in national statute books. EU countries have transposed nearly 90 per cent of laws to free passage of goods and services. However, only 50 per cent of single market measures have become legally binding in all 12 countries.

Governments have been particularly slow to open up public procurement, accounting for 15 per cent of EU economic activity. Even where liberalisation measures have become law, there are problems in enforcing them. Many countries appear to be maintaining import barriers through over-restrictive procedures on technical standards, thus flouting agreements on mutual recognition.

This poor record – along with the recession – helps explain why, according to opinion polls, the single market has generated little enthusiasm among companies and consumers. In January 1993, Mr Raniero Vanni d'Archirafi, the commissioner responsible for the internal market, unhelpfully suggested lenient treatment for governments which failed to implement the rules. His subsequent statements have been scarcely more convincing. At the end of last year, for example, he promised "decisive action" to improve implementation. This week he pledged this would receive "urgent priority". So far, however, he has come up with nothing more muscular than a plan for national civil servants to report on other governments that do not stick to the rules.

Implementing single market rules does test the EU's doctrine of subsidiarity. If decision-making is to be carried out "closest to the people", enforcement should ideally be left to governments. Experience suggests, however, that a strong push from Brussels is essential for achieving compliance. The Commission should not shrink from recommending fines for proven infringement.

Equally, there should be a bare minimum of centrally agreed Euro-laws laying down harmonised norms to ensure products can pass through national frontiers. Where countries persistently misuse national standards, extra legislation may be needed. In general, however, the Commission is right to emphasise the quality rather than the quantity of legislation needed to maintain the momentum of the market.

Setbacks in making the single market operational underline how far the EU must travel simply to consolidate measures agreed under the 1987 Single European Act. If the internal market is to be a lasting success, it will need a decisive champion in Brussels. At present, that person does not exist. A priority for the successor of Mr Jacques Delors will be to ensure that a barrier-free Europe for business becomes reality.

Outsider in the hot seat

Michael Lawrence, new chief executive of the London Stock Exchange, outlines his strategy to **Norma Cohen**

Taking stock: Michael Lawrence's big challenge will be to salvage the London Stock Exchange's dented reputation

"Not one of us." That view of the London Stock Exchange's new chief executive came from a group of UK stockbrokers who recently invited him to speak. It is also the view heard in many trading rooms and boardrooms, as some in the City struggle to come to terms with the exchange's new leadership.

The main challenge for Mr Michael Lawrence will be to salvage the exchange's dented reputation and forge a more coherent identity for an organisation which has never decided whether it is a club, a commercial operation or a regulator.

"What he ought to be worried about is whether the exchange has any role at all," said one board member. "The exchange's only function seems to be to legitimise decisions which favour six big marketmaking firms." Marketmakers are the firms which indicate the prices at which they will buy and sell blocks of equities on the exchange's Seaq computer screens.

Mr Lawrence has assumed his role at a crisis point in the exchange's history. Not only has its international standing been dented by the collapse last March of its ill-fated Taurus project for paperless share settlement, but the character of London as a securities trading centre is changing radically.

Since the liberalisation of Big Bang in 1986, non-UK investment banks have increasingly dominated the exchange, employing their capital in innovative ways such as the use of derivatives and trading on their own account. While this trend has helped London become Europe's focus for international share trading, exchange participants are asking whether it can retain that status.

Mr Lawrence's job is to ensure that it consolidates it, and then increases it. The task will be tough for a man who, when appointed last December, was greeted with "Michael who?" by many in the City.

Mr Lawrence's suits and small gold tie-pin announce that he is neither a public-school-educated patrician, nor a street-wise working-class individual – two prevailing City types. He is a product of Wembley County Grammar School who studied physics at three universities before receiving a PhD in 1965 in mathematical physics from Bristol University. He trained as an accountant at Price Waterhouse, where he went on to specialise in resuscitating failing companies.

He has never worked in the securities industry and thus cannot be accused of representing vested interests. It is this characteristic of being an outsider which some City observers say may prove his great strength.

Asked whether he isn't "one of us", Mr Lawrence demurs. The concept of "us" in the City is changing rapidly, he says. "We're going to see a different sense of community because of the international position of London. International firms are increasingly important in the marketplace."

The exchange recognised that it needed a new broom after Mr Peter Rawlins resigned as chief executive when Taurus collapsed. After a long search, the exchange turned to Mr Lawrence, then finance director of the Prudential, the UK's largest insurance company and chairman of the influential 100 Group of Finance Directors.

Four months into the job, Mr Lawrence has let the City get a good look at him, while he has listened to the City. "He said all the right things to us," said one private client stockbroker. "He said: 'tell me what you want.'"

But the jury is still out on the crucial question of whether Mr Lawrence can translate what he hears into a policy which will ensure the exchange retains its position as the centre of European equities trading. The task is complicated because exchange members can have conflicting interests – UK and US marketmakers are competing for the same customers, for instance – and the concerns of members occasionally conflict with the exchange's role as a regulator.

Mr Lawrence says he has already come to some conclusions about what the exchange must do to repair its fortunes.

First, the exchange must behave like a commercial organisation. "We have a tremendous brand here in London," he says. "We have to make London as attractive as we can and then go out and market it."

To this end, he has restructured the exchange, altering the main committees' chain of command so that they report to the executive and not to its 21-member board. He says this system resembles that of a typical corporation and is less like that of a trade association. The reform should give the executive more control over decision-making and reduce some of the wrangling among various factions.

However, the change in the committee structure is ringing alarm bells among some of the exchange's powerful marketmakers. "That is a warning signal to me," said the chief executive at one firm. "It means that the exchange can ignore the recommendations of the practitioners."

One of Mr Lawrence's first initiatives ruffled the feathers of the marketmakers. He asked the board to approve funds to build an order-matching capacity into the exchange's new Sequence trading system (which will eventually replace Seaq, the automated price display mechanism). Marketmakers fear that their competitors will take advantage of them by undercutting their prices. Non-marketmakers support the effort partly because it will blunt the attractions of TradePoint, an emerging dealing system developed by several exchange defectors, particularly in the trading of small company shares.

Among other changes, Mr Lawrence has ditched the post of director of policy, taking on that function himself. Instead, the exchange will have a director of strategic planning, a board-level post which is expected to be filled shortly. Most critically, it will have a director of marketing for the first time.

The ambitions of the marketing department are initially modest. To start, it will have three or four people seconded from UK and foreign securities firms whose task will be to encourage greater participation by non-UK corporations on the exchange. Mr Lawrence concedes that Stock Exchange members might have felt it unseemly openly to solicit business a few years ago.

But competitive pressures from other European bourses and the emergence of dealing systems such as TradePoint are forcing marketmakers and stockbrokers to rethink their position.

Mr Lawrence dismisses the suggestion that London's best way forward is greater integration with other European exchanges. "Why we should try to create a pan-European stock exchange I do not know," he says. "It would be less friendly to smaller companies because it would inevitably cater for the shares of large multi-nationals.

"I don't believe the option is either a pan-European exchange or open warfare," he says. He argues that international securities houses want simply to see three international trading centres – Tokyo, New York and London – in different time zones. They do not want the expense of setting up offices in every European capital in which they wish to do business and, therefore, will welcome greater concentration of business in London.

One of the most important guarantees of the exchange's future success, Mr Lawrence says, is the ability to offer an efficient "technology platform" to make securities trading cheap, swift and efficient. Although the exchange was rebuffed in its bid for a 30 per cent stake in Crest, the successor to Taurus developed by the Bank of England, Mr Lawrence believes it has a good chance of being appointed manager of the system.

But technology is only one element of Mr Lawrence's rejuvenation strategy. He will need to win the confidence and commitment not just of the stockbrokers and marketmakers who are members of the exchange but of the corporations which raise capital there and the institutional investors which provide it. To retain its prominence, the exchange must demonstrate that it remains the cheapest and most efficient way to raise capital – unless it can do this, all Mr Lawrence's best intentions will not resurrect its fortunes.

Will GE continue to indulge US investment bank Kidder Peabody, asks **Richard Waters**

What parents are for

Sometimes, having a rich owner is a securities company's greatest asset. Shearson Lehman and First Boston, two leading Wall Street firms, learned that lesson in 1990 when each was helped out by a powerful parent (respectively American Express and CS Holding, the Swiss banking group). Kidder Peabody, errant son of General Electric, the US conglomerate, is the latest to learn the benefits of an owner with a deep pocket.

Since it disclosed in April that $350m of previously reported trading profits over the past three years were fictitious, Kidder has been the target of rumour and sniping on Wall Street. Questions have been asked about the value of its securities portfolio. Headhunters have circled the firm, trying to pick off its best traders.

In fact, Kidder's difficulties are not as dire as most of the firm's rivals make out – thanks largely to GE. The GE connection has brought some powerful benefits. Whereas other securities firms – including CS First Boston – raise money on their own behalf using their single-A credit ratings, Kidder is funded through its immediate parent, GE Capital and, ultimately, GE. The top triple-A rating of these companies enables them to raise money cheaply, in turn giving Kidder an advantage over rivals. (With a portfolio of securities valued at $73bn at the end of last year, shaving even a fraction of a percentage point from the firm's financing costs has a big impact on profits.)

This week, GE has been forced to restate its support for Kidder – a company which, two years ago, it came close to selling. But in the process, it made little pretence about the difficulties the company faces. Mr Dennis Dammerman, GE chief financial officer, drew a direct comparison with other ailing businesses the manufacturing giant has nursed through difficult times before: its power generation business in the 1980s, and its network television business in the early 1990s. He implied that the current environment for the securities industry is equally difficult – an observation likely to come as a surprise to many Wall Street firms, which, though not doing as well as in the record year of 1993, are still experiencing one of their best-ever years.

GE's professed commitment will enable Kidder to ride out the storm that began in April. The question, though, is how long GE will remain the indulgent parent.

Two problems are besetting Kidder: First, the phantom profits scheme is proving a bigger drag than it had hoped. Kidder blamed the scheme on Mr Joseph Jett, the former head of its government bond trading desk, depicting itself as the innocent victim of a fraud. Mr Jett, though, has since hit back, suggesting senior Kidder executives were aware of his trading strategy and that he is being made a scapegoat.

An investigation of Mr Jett's trading by Mr Gary Lynch, a former head of enforcement at the Securities and Exchange Commission, is taking longer than GE had hoped. The length of the investigation is fuelling rumours that Mr Lynch's review has been broadened to take in the activities of executives other than Mr Jett and other aspects of Kidder's business.

Adding to the seriousness of the affair, if the $350m of trading profits were false, then Kidder's resurgence of the past two years has been false too. GE said this week that it had injected $200m of capital into Kidder to plug the hole left by the phantom profits.

Kidder's second longer-term problem is its reliance on one market – mortgage-backed bonds – for a large proportion of its (real) profits. Such bonds are created when household mortgages are packaged and sold to investors. Kidder's dominance of this $1,600bn market (it handled nearly a quarter of all new issues of bonds last year) proved profitable last year as the volume of new bonds soared. In recent months, however, mortgage-backed bond issues have been running at only about $10bn a month, compared with $40bn a month at the start of the year.

Kidder has also been affected by being the biggest trader in the market at a time when prices have been volatile. The attractiveness to investors of mortgage-backed bonds dropped both when US interest rates fell last year (many mortgage holders paid their old loans off early to take out new loans at lower rates, hitting the value of the bonds) and rose this year (pre-payments stopped, lengthening the bonds' lives and, again, making them less attractive to investors).

Just how badly Kidder has been hurt is impossible to say. At the end of last year, Kidder was more highly geared than any other Wall Street house, with less than $1bn of capital to support its $73bn of securities holdings. That suggests that it would only take a small fall in prices to consume a large part of Kidder's capital.

Mr Michael Carpenter, the firm's chairman, again insisted this week that Kidder's bond holdings were hedged against falling prices. He added that the firm had sold a third of its mortgage-backed bond holdings, thought to have been worth about $12bn, improving its liquidity.

Questions remain, though, about the other two-thirds – and about Kidder's (and GE's) enthusiasm for retaining such a large position in a market which has proved more volatile than Wall Street had expected.

OBSERVER

Bargain boozers

■ Once upon a time American beer and French wine were modish choices in Tokyo – the most expensive city in the world. But now – thanks to the high cost of Japanese currency – consumers' yen for these one-time luxuries is more easily satisfied.

Already this year wine imports have doubled and foreign beer imports have increased five-fold. Most goes to supermarkets and discount outlets which report a roaring trade. It is easy to see why.

A quick reccy in central Tokyo found a 750ml bottle of Gordons gin for a mere Y2,000 (£12.82) and a range of US beers at between Y180 and Y210 per 350ml can, rather cheaper than the Japanese equivalent at Y220 per can.

But the best things in life are still very expensive in Tokyo. Mitsukoshi, the Tokyo Harrods, is asking a hefty Y4,300 for a standard bottle of Moet & Chandon Brut Imperial – two-thirds more than it costs in its home country – and Y285 for a small bottle of Guinness. So sushi-eating black velvet drinkers will still have to hunt pretty hard to find a bargain.

Not kilty

■ The governor of the Bank of England might have captured the financial headlines at Wednesday's Mansion House dinner, but it was the governor of the Bank of Scotland who made the most dashing entrance.

Bruce Pattullo turned up in a kilt for the first time. The tartan? The very apposite Ancient Bruce – though he is only 56.

Pattullo is not known as a kilt man and theories abound as to why he's now started sporting a sporran south of the border.

One suggestion is that it helps to emphasise the perception that the Bank of Scotland is more Scottish than the Royal Bank of Scotland, whose chairman Lord Younger tends to abide by English evening dress code.

Another is that now that Pattullo is no longer in the running to be governor of the Bank of England, he can wear what he likes. But the simplest explanation is the correct one – his wife bought him his kilt for Christmas.

Family business

■ Has Sears group chairman Geoffrey Maitland Smith found a new hobby – furniture-making? Bargain hunters at his group's Selfridges store on Oxford Street have spotted a new line of tables and chairs carrying the Maitland Smith moniker.

It is not Geoffrey who is the cabinet-maker, but brother Paul. He founded a Philippines-based company in the 1970s making copies of classic British furniture – aimed mainly at the American market – and sold it five years ago to US conglomerate Masco. It opened a concession in Selfridges in February, and, says Sears, is trading well – and not just to Americans.

Wave farewell

■ Ever wonder what happened to those high-speed river buses that once plied the River Thames in London?

They are re-surfacing in Bangkok, ferrying travellers between the airport and three big hotels along the Chao Phraya river – the Oriental, the Shangri-La and the Royal Orchid Sheraton.

Siam Development and Holding has bought the whole fleet of eight catamarans from the administrators of Olympia & York, which ran into such difficulties with the Canary Wharf development in London. Four of the boats will go into service on the hotel-airport run from July 1.

The idea is to avoid Bangkok's notorious traffic jams. The journey between airport and down-town hotels should be reduced to an hour – it can take two hours on a normal day and more than five hours if the streets are flooded with rain-water.

In their court

■ When is Sir Michael Richardson, Lady Thatcher's favourite corporate financier, going to retire as chairman of Smith New Court, the City stockbrokers?

He turned 69 in April and he could bow out with pride following yesterday's sparkling figures from the firm. Sir Michael, who gets into the office before 8 am and works a full five-day week and sometimes more, has told Observer that he has no intention of soldiering on till 1997, like his old chums Lords Hanson and White. Then again, he has no plans for quitting this year.

Even so, his eventual retirement raises the question of whether Smith New Court will pick another outsider to be chairman – Sir Michael was the first – or return to its old ways of promoting someone from the shop floor. It will be an interesting test of the firm's maturity.

Brazilian bingo

■ The normally friendly rivalry between Brazil's two largest cities – São Paulo and Rio de Janeiro – took an ugly turn at the weekend. São Paulo snobbishly looks down on its poorer, but better-known cousin, Rio de Janeiro, and São Paulo's media especially revels in Rio's reputation for terrifying violence.

But at the weekend 42 people were murdered in separate incidents in São Paulo; 21 were killed in execution-style assassinations believed to be linked to drug-dealing.

By Wednesday morning, however, Rio had recovered its reputation as the country's most violent city – in a 24-hour period, 22 people were shot.

Umbrella offer

■ One London wine bar has the measure of the capital's sudden burst of sunshine.

A blackboard outside The Udder Place in Russia Row offers private parties a deal on house wine and "free canopies".

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FINANCIAL TIMES
Friday June 17 1994

Networking?
NetWare 4,
of course.

Peugeot fails to curb independent traders

By Kevin Done and John Griffiths

The right of independent traders to sell cut-price new cars to customers across EU borders in competition with franchised dealer networks was upheld by the European Court of Justice yesterday.

The court rejected an appeal by the PSA Peugeot Citroën group of France against an earlier European Commission ruling, which stated that new car sales by independent traders across national borders to specified customers were legal.

The ruling is likely to pave the way for an increase in the number and activities of such independent traders.

The court verdict follows a previous Commission order that Peugeot lift its ban on dealers in Belgium and Luxembourg selling to Ecosystem, a Rouen-based intermediary which resells in France cars bought at lower prices in Belgium and Luxembourg.

Under EU rules, it is legal for intermediaries to import cars on behalf of individual customers. In 1991, Sir Leon Brittan, then competition commissioner, warned Peugeot that its Belgian and Luxembourg dealers would forfeit protection from normal competition rules if the ban was not lifted.

The verdict coincided with a bitter attack by the European motor industry on changes proposed by the Commission's competition directorate to the so-called "block exemption", which allows carmakers to contravene EU competition regulations by restricting new car sales exclusively to franchised dealer networks.

The carmakers have been thrown on to the defensive by the court verdict and the proposed rule changes, which would give more power to dealers and would provide more grounds on which the exemption could be withdrawn from a particular manufacturer.

The exemption expires in June 1995, and a battle is being waged in the Commission between the competition and industry directorates on the terms under which it should be renewed.

Consumer groups want it scrapped, claiming that it restricts competition and leads to unjustifiably high car prices.

The Peugeot-Ecosystem case has provided one of the key areas of debate about whether the block exemption should be renewed.

Mr Giorgio Garuzzo, the president of the European Automobile Manufacturers' Association and head of Fiat's automotive operations, warned last night in a speech to the UK motor industry that suggested changes to the exemption "would not lead to more competition but to less competition, not to lower prices but to higher prices".

The draft reforms suggested by the competition directorate would subject the European car industry to "an unprecedented and arbitrary experiment" and could "undermine the whole foundation of automobile distribution in Europe", said Mr Garuzzo.

He called on European governments to note the "dire consequences of possible changes" planned by the Commission.

Sweden approves bridge and tunnel to Denmark

By Hugh Carnegy in Stockholm

Sweden's centre-right government yesterday approved the construction of a $3bn bridge and tunnel link across the Oresund between Sweden and Denmark, one of the biggest infrastructure projects in Europe.

But the long-delayed decision prompted the resignation of Mr Olof Johansson, the environment minister and leader of the Centre party, shaking the hitherto stable foundations of prime minister Carl Bildt's four-party coalition, three months before a general election.

A row over the environmental impact of the 17km road and rail link between the southern Swedish city of Malmö and Copenhagen has held up the project for months and had threatened to split Mr Bildt's government. It also strained relations with Denmark, which has been anxious to proceed.

Mr Bildt was confident yesterday he had avoided the break-up of the government, as Mr Johansson agreed his three Centre party colleagues would stay on in the coalition as ministers, in spite of their objections to the link. But their decision is likely to be questioned at a Centre party national conference this weekend.

Mr Johansson's resignation was the first split in the cabinet since the government took power in late 1991. It is a blow for Mr Bildt as the coalition is trailing the opposition Social Democratic party in the polls.

The go-ahead for the bridge, which will be Sweden's first fixed link to its main markets in Europe, was warmly welcomed in Copenhagen and by business leaders in both countries. Mr Poul Nyrup Rasmussen, the Danish prime minister, said: "I am pleased by this decision, which means Denmark can now go ahead with the land-side construction work which was suspended while the Swedes arrived at a decision."

The joint Swedish-Danish consortium set up to build the link said the tender process would begin within weeks. A total of 20 international consortia, involving some 50 companies from around the world, have expressed interest in the project.

Full tender details will not be available until late autumn as environmental specifications are not yet ready. First contracts for the tunnel section are expected to be signed early next year. The link is unlikely to open before 2000.

Environmentalists are concerned that the bridge will impede vital salt water flows into the already heavily polluted Baltic Sea. Mr Bildt said yesterday the environmental conditions set for constructors meant "this is the greenest bridge you can build".

Shareholders greet freed Schneider chief

By John Ridding in Paris

"I am very, very happy to be here today," Mr Didier Pineau-Valencienne, head of France's Groupe Schneider, told a packed shareholders meeting yesterday in the Automobile Club in Paris's Place de la Concorde.

It is safe to assume he meant what he said. Two weeks ago, the head of the electrical engineering group found himself in rather different circumstances – an inmate in Brussels' Forest prison, facing charges of fraud relating to two Belgian subsidiaries. Last week, after 12 days in prison, he was released on bail of FFr2.5m ($430,000).

However, Mr Valentino Foti, an Italian businessman being investigated on the same charges as Mr Pineau-Valencienne, is still held after an appeal yesterday for his release was rejected by Belgian judicial authorities.

If Mr Pineau-Valencienne had been expecting a difficult reception because of the Belgian investigation, he would have been pleasantly surprised. A round of applause greeted his arrival on stage, while shareholders expressed support for their chairman.

The reception was less warm for one Belgian minority shareholder, who was booed after his complaint about a lack of information concerning offshore companies in the group.

Mr Pineau-Valencienne denied that Schneider had acted against the interests of minority shareholders in Cofibel and Cofimines, the two financial subsidiaries at the centre of the investigation. He rejected charges that dividends paid by offshore companies had not been distributed equally among shareholders in the subsidiaries and denied that funds totalling BFr3bn ($87m) had been diverted from the two companies to the benefit of their parent company.

The Schneider chairman told his audience that he was appointing an outside auditor with a view to clearing himself and the group of the charges.

Mr Pineau-Valencienne said he had travelled voluntarily to Brussels on May 26 to make a statement about the case.

He said the group would press ahead with its strategy of expanding its core electrical engineering businesses.

The stock market responded positively. Schneider shares, which have lost 16 per cent of their value since the company chairman's unfortunate Belgian journey, bucked the trend in the depressed Paris bourse and rose 2.3 per cent to close at FFr356.9.

Russia backs China's stance

Continued from Page 1

our co-operation." He said Moscow and Washington had agreed to work out a joint stance this week.

Ms Dee Dee Myers, Mr Clinton's press secretary, said in Washington that Ms Albright had consulted the Russian UN mission on Wednesday as well as those of China, Britain and France.

In addition, President Bill Clinton had spoken by telephone to President Boris Yeltsin on Monday when they "discussed what was going to be in" the US draft resolution, Ms Myers added.

The "carefully calibrated" measures outlined by Ms Albright – but which were not yet available in detail yesterday – would begin with a reduction of diplomatic and other links, along with an arms embargo. Financial sanctions would come later if Pyongyang had still not restored full co-operation with the IAEA.

After meeting Mr Kim Il-Sung, North Korea's 82-year-old leader, Mr Carter told CNN: "President Kim has committed himself to maintain the inspectors on site in the disputed nuclear reactor and to guarantee that surveillance equipment would remain in order."

Urging that "nothing should be done to exacerbate the situation now," he said North Korea had "compromise proposals".

THE LEX COLUMN

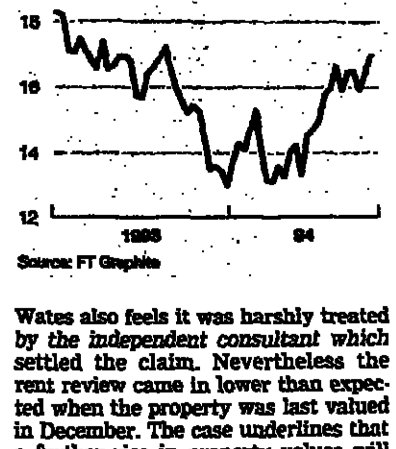
Crude expectations

Crude at $20 a barrel by the end of the year is starting to look like a credible scenario. The sharp rise in oil prices this week has already taken the benchmark Brent price to $17. In the US, the benchmark West Texas Intermediate price has risen even faster, touching $20 and opening what looks like an unsustainable $3 spread over Brent.

A firm line at this week's Opec meeting and worries over Korea have clearly played their part in the price rise. But the decisive factor is new evidence that oil demand in the US is accelerating. The cartel's decision to cancel its September meeting, so emphasising its determination not to increase production, has had such an impact because demand is robust. Given that only Saudi Arabia, Kuwait and possibly Venezuela have substantial excess capacity, the chances of quota cheating are slim. The market has concluded that supplies will be stretched next winter and has reacted by attempting to build up stocks now.

Whether this is as bad for inflation prospects as bond markets have concluded is less clear. The direct impact of higher oil prices will be fairly modest. While the Saudis are happy to see crude at $20, there is no evidence that they wish to drive it much higher than that. Of greater concern is the possibility that strong oil demand may indicate that the US economy is running ahead faster than expected. But this is not the only interpretation. The more comforting view is that the US has forgotten about conservation and is back to its old gas-guzzling ways. If that is true, robust oil demand may reflect the particularly oil-intensive nature of this US recovery rather than warning of inflation ahead.

FT-SE Index: 3030.1 (-15.7)



Wates

The second rights issue from Wates City of London inside a year would be more appealing if the company had been able to sugar the pill with good news. Instead, one of Wates's large investment properties has fallen in value since the year-end, while another remains unlet and will soon have to be refinanced. For all the talk of development opportunities, the shares fell 6 per cent before settling just above the rights price.

The sight of a prominent City property falling in value as a result of a disappointing rent review should send a gentle warning to the rest of the sector. True, the lease in question is unusual in allowing rents to fall. Wates also feels it was harshly treated by the independent consultant which settled the claim. Nevertheless the rent review came in lower than expected when the property was last valued in December. The case underlines that a further rise in property values will be difficult to achieve while rental growth remains elusive.

Adjusting for the revaluation, the rights issue is priced close to Wates's net asset value. Since many companies in the sector are trading at a modest discount to net assets, that is hardly cheap. It would be some comfort if Wates could be more forthcoming about how much of the rights money will eventually be channelled into refinancing its joint venture with Sumitomo. One can only assume that Mercury Asset Management, which agreed to sub-underwrite the whole issue if necessary and could have ended up with a 29 per cent stake, has a clearer view of the recovery prospects than the wider equity market.

Dairy sector

Mrs Gillian Shephard's announcement on the liberalisation of the milk market in England and Wales removes the uncertainty of timing from Northern Foods and Unigate. How the new regime will affect their margins remains obscure. But the assumption that higher raw material prices will exacerbate the squeeze on their margins could prove wide of the mark. In the longer term European agriculture reform is likely to put downward pressure on milk prices anyway, whether or not Mrs Shephard succeeds in making production quotas tradeable.

Milk Marque could not bid up the price of milk too far at the farm gate without incurring the wrath of the Office of Fair Trading. Liquid milk retailers will no longer be able to take precedence over processors at times of shortage, so supermarkets may be prepared to pay up for security of supply from the large dairies.

Since liquid milk accounts for about 80 per cent of Northern's dairy business and around two-thirds of that at Unigate, both companies could find life improves under the new regime. A bigger threat faces processors who may be squeezed between higher input costs and cheap imports of butter, cheese and powder. Such a prospect could complicate the flotation of Dairy Crest, the milk marketing board's processing arm. But Northern and Unigate cannot afford to be complacent. They still have to cope with the inexorable decline in high margin doorstep sales and the risk the supermarkets may eventually seek to drive home their advantage by buying direct from Milk Marque and packaging the product themselves.

Ziff

Many a media group will run its slide rule over Ziff Communications in coming weeks. The family-owned US publisher, which was put up for sale last week, is an attractive property. Ziff is the world's largest publisher of computer magazines, a fast-growing segment of the print media. It also owns ZiffNet, an on-line information service about computers, which should appeal given the current multimedia vogue. Not surprisingly, speculation is rife over possible bidders. France's Matra-Hachette, K-III of the US and VNU of the Netherlands have said they are interested. Other names bandied around include Reed Elsevier, Bertelsmann, News Corporation, Time Warner and Times Mirror.

Though many may be interested, few could plausibly afford the touted $2bn-plus price tag. VNU is too small to buy the whole group and the Ziff family have made clear they would prefer not to sell it in several chunks. Similarly, the balance sheets of Hachette, K-III, News Corporation and Time Warner look rather stretched. Reed Elsevier, Bertelsmann and Times Mirror are more likely contenders. The Anglo-Dutch group, in particular, has indicated it is keen to make further acquisitions following last year's $417m purchase of Official Airline Guides. But though Ziff might fit the bill, it is not the only fish in the sea.

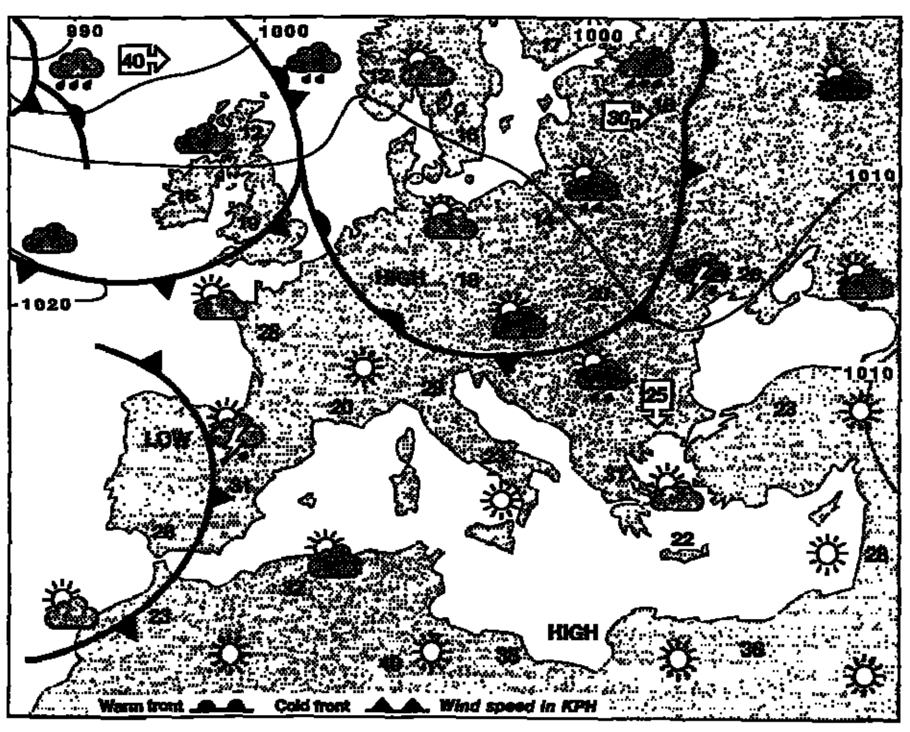
FT WEATHER GUIDE

Europe today

Steady westerly winds will bring cool and changeable conditions over northern Europe. Norway's coastal areas will have moist conditions, while inland areas will see a mixture of sunny spells and a light showers.
Sweden will stay mainly dry, but there will be some showers in Finland. The British Isles and the Benelux will be mostly cloudy as warm, moist air arrives from the west.
France and Spain will be sunny and mostly dry, except for localised thunder storms.
Italy will have plenty of sunshine. Further east, cloud and showers will increase especially over Romania, the Balkan states and northern parts of Greece.

Five-day forecast

High pressure will expand over the continent bringing improving conditions to western Europe. The low countries and the British Isles will see increasing sunshine and rising temperatures over the weekend. France and Spain will have some local thunder storms, especially on Sunday. Beginning Monday, Europe will see much brighter conditions. Southern Europe will remain fairly sunny and warm.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	42
Accra	fair	30
Algiers	fair	32
Amsterdam	cloudy	20
Athens	sun	29
Atlanta	fair	32
B. Aires	cloudy	19
B.ham	cloudy	21
Bangkok	shower	32
Barcelona	sun	27
Beijing	fair	35
Belfast	rain	16
Belgrade	fair	28
Berlin	sun	18
Bermuda	fair	30
Bogota	shower	19
Bombay	rain	29
Brussels	cloudy	22
Budapest	fair	24
C.hagen	fair	17
Cairo	sun	36
Cape Town	rain	16
Caracas	fair	24
Cardiff	fair	19
Casablanca	fair	23
Chicago	fair	34
Cologne	fair	20
Dakar	fair	28
Dallas	fair	34
Delhi	fair	34
Dubai	sun	41
Dublin	cloudy	18
Dubrovnik	sun	30
Edinburgh	fair	18
Faro	cloudy	23
Frankfurt	fair	23
Geneva	sun	27
Gibraltar	fair	28
Glasgow	rain	16
Hamburg	cloudy	16
Helsinki	fair	18
Hong Kong	cloudy	28
Honolulu	fair	31
Istanbul	cloudy	28
Jakarta	fair	32
Jersey	fair	20
Karachi	fair	35
Kuwait	sun	44
L. Angeles	fair	21
Las Palmas	fair	25
Lima	cloudy	19
Lisbon	cloudy	24
London	fair	24
Lux.bourg	cloudy	22
Lyon	sun	28
Madeira	fair	23
Madrid	thund	33
Majorca	sun	30
Malta	sun	28
Manchester	cloudy	18
Manila	shower	32
Melbourne	shower	14
Mexico City	cloudy	19
Miami	fair	32
Milan	sun	29
Montreal	sun	31
Moscow	thund	19
Munich	cloudy	22
Nairobi	cloudy	23
Naples	sun	27
Nassau	shower	32
New York	fair	35
Nice	sun	25
Nicosia	fair	28
Oslo	sun	18
Paris	fair	28
Perth	cloudy	20
Prague	fair	19
Rangoon	shower	32
Reykjavik	cloudy	11
Rio	cloudy	23
Rome	sun	27
S. Frsco	fair	18
Seoul	sun	31
Singapore	shower	32
Stockholm	shower	17
Strasbourg	fair	26
Sydney	fair	18
Tangier	fair	21
Tel Aviv	sun	29
Tokyo	fair	28
Toronto	fair	30
Vancouver	shower	19
Venice	sun	28
Vienna	fair	23
Warsaw	shower	17
Washington	sun	36
Wellington	rain	11
Winnipeg	fair	23
Zurich	fair	24

Lufthansa
German Airlines

Invest in your evenings
Invest in your career

London Business School's challenging evening programmes are designed for experienced managers and finance professionals in industry, commerce or the City.

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FINANCIAL TIMES

COMPANIES & MARKETS

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Friday June 17 1994

IN BRIEF

Radical change in Basque country

The Basque country's co-operative movement, centred on the town of Mondragón, is preparing to tap the international financial markets, marking a change to its 40-year-old history of worker-ownership. Page 20

SKF upgrades forecast
SKF, the world's leading maker of roller bearings, sharply upgraded its 1994 profit forecast yesterday, citing stronger-than-expected growth in volumes in its main European markets. Page 22

Crédit Lyonnais moves on the US
Crédit Lyonnais, the troubled state-owned French bank, became the latest foreign institution to announce plans for a large investment banking business in the US. Page 22

A different year for Morgan Stanley
Morgan Stanley is not having a particularly great 1994, at least when compared with the industry's record-breaking results of last year. Page 23

Peter Woo stays confident
For a man whose personal wealth has fallen in value by almost US$1bn this year, Mr Peter Woo, chairman of Wheelock, the Hong-Kong based conglomerate, is very confident. Page 24

Finex opens in Ireland
Finex, the currency futures arm of the New York Cotton Exchange, today opens Finex Europe at the new Dublin Exchange Facility in the International Financial Services Centre. Page 25

FKI announces German deal
FKI, the UK electrical engineering and electronic components group, announced a 38 per cent rise in profits and the acquisition of Rhombus, a German castor manufacturer. Page 26

AAH ahead by 13%
Acquisitions and a buoyant drugs market helped AAH, the UK pharmaceuticals distribution group, increase pre-tax profits by 13 per cent in the year to March 31. Page 26

Southern Water buoyant
Southern Water, the UK utility, was in buoyant mood yesterday as it reported a 7 per cent increase in annual pre-tax profits, and gave an encouraging report on the capital intensive coastal clean-up programme. Page 27

Wates moves on City upturn
Wates City of London Properties, the only UK property company to hold all its assets in the City of London, yesterday announced a £31m rights issue to allow it to take advantage of the upturn in the City property market. Page 27

Alvis advances
Alvis, the UK defence contractor, reported increased profits for the six months to March 31. Page 28

Chloride Group back in the black
Chloride Group, which is transforming itself from a UK batteries business into an electronics group, returned to the black for the year ended March 31, but profits were not high enough to restore the dividend. Page 28

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
AG Ind & Verk	558	–	11
Bil & Berger	775	–	15
DLW	467	–	22
Heidelb Zem	1221	–	59
Hochtief	1048	–	27
Rheinmetall Ber	297	–	10
NEW YORK ($)			
Rises			
Exxon	58⅝	+	1⅛
Falls			
Apple Computer	26¼	–	1¼
Entergy	26½	–	2⅝
First Chicago	50¾	–	2⅛
First Inter	77⅛	–	2
Shawmut Natl	21⅜	–	1⅝
PARIS (FFr)			
Rises			
Fonc Lyonnaise	630	+	30
Falls			
AGF	439.7	–	12.8
Chargeurs	1360	–	85
Club Med	403	–	14
Cred Lyon (CI)	545	–	15
Union Immob Fr	520	–	16
TOKYO (Yen)			
Rises			
Brother Inds	782	+	27
Maruishi Cycle	493	+	58
Mitsui Material	575	+	25
Okura	604	+	57
Yamada	566	+	58
Falls			
Bank of Tokyo	1620	–	20

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Argyll Group	252	+	8
Cossell	170	+	10
E Midlands Elec	592	+	13
Heath (CE)	352	+	12
Osborne Little	387	+	12
Royal Bk Scot	422	+	12
Sleepy Kids	75	+	9
Falls			
Alvis	88	–	6
Barratt Dev	199½	–	10½
Denmans Elec	625	–	33
Hepworth	307	–	14
Lucas Inds	178	–	8
MTM	70	–	4
NFC	191	–	7
Navan Res	139	–	6
Penna	103	–	5
RCO	368	–	22
RMC	813	–	35
Rea Bros	82	–	13
Wagon Indl	460½	–	22½
Wates C of Lon	75	–	5

Start-up venture will have several hundred employees, combine technologies and operate worldwide

IBM tackles 'superhighway' business

By Louise Kehoe in San Francisco

International Business Machines has formed a division to create services for the "information superhighway". The services will include applications ranging from interactive television to personal communications messaging systems.

Mr Lou Gerstner, IBM chairman and chief executive, has identified "network-centric" applications as one of the most important strategic growth markets for IBM. The formation of the Networked Application Services division reflects IBM's determination to play a leading role in this emerging field.

Initially, the division will develop services that will become available on Prodigy, a personal computer dial-up information and communications service jointly owned by IBM and Sears, Roebuck, on Advantis, a data communications network also jointly owned with Sears, and on IBM Networks worldwide.

The market for digital network services for businesses, governments, individuals and the home would grow as the power of digital communication by wire, radio and satellite expanded, IBM said. Networked Application Services would develop software to provide intelligent communications capabilities on digital networks and IBM was making "substantial" investments in developing these technologies, the company said. The new division, which IBM views as a start-up venture with huge growth potential, will have "several hundred" employees and operate worldwide. The division will draw together several developments under way in different parts of IBM and partnerships that IBM has formed.

For example, it is already providing equipment and software for interactive television trials with Videotron and Cox Cable.

The creation of software for personal communications services will be one of the initial focuses of the new division. These services will enable users, for example, to receive messages in different forms – voice, facsimile or electronic mail – no matter how they were originally sent and will prioritise messages according to the needs of the individual user.

Collaborative computing, in which personal computer users work together via a network, will be another important application. Electronic publishing and electronic commerce are also seen as markets with growth potential.

The mission of the new IBM division is "to create services that will be the foundation for a highly interconnected world", the company said. As well as developing broad service offerings, IBM plans to tailor services for specific industries and types of businesses.

Networked Application Services will have its headquarters in Thornwood, New York, with other locations in New York, Florida and California.

CS chief plays down fears over Austrian bank bid

By Eric Frey in Vienna

Mr Rainer Gut, chairman of CS Holding, yesterday said that Creditanstalt would remain "a proud and independent Austrian bank with its own identity" if his Swiss financial group succeeded in winning control.

Mr Gut said he was well aware of political opposition to the efforts of CS Holding to take control of Creditanstalt, Austria's banking flagship.

He felt his group had an even chance of winning control against competition from a rival Austrian-led consortium.

Mr Gut said he would prefer to buy all the government's 49 per cent stake in Creditanstalt which offers 70 per cent of voting stock, but would also be content with a smaller stake in the short-term.

He declined to disclose his offer price. Based on Creditanstalt's share price, the government stake is worth about Sch14bn ($1.2bn).

Mr Gut was in Vienna to meet Mr Ferdinand Lacina, Austria's finance minister, who wants to privatise Creditanstalt quickly, and to encourage public support for his offer. Mr Lacina has said that his decision will not be based on price but on national interest and the interests of Creditanstalt.

"The CS bid for a large stake currently owned by the Austrian government should not be seen as a 'Swiss solution' but an international solution," he added.

Mr Gut's earlier announcement that CS Holding is aiming for 100 per cent control of Creditanstalt has aroused controversy in Austria and led to the formation of the rival bid. It is made up of Creditanstalt, Generali, the Italian insurer, Commerzbank of Germany and several Austrian institutions.

Mr Lacina, a social democrat, favours the CS Holding bid, but his coalition partners from the conservative People's Party fear they would lose political influence over the traditionally conservative bank.

The CS Holding offer has also stirred up fears of foreign domination in the Austrian economy. Similar sentiments were voiced before the referendum on EU membership last Sunday.

The outcome of a bidding race for Creditanstalt is quite open, financial sources say.

CS Holding sees Creditanstalt, with its strong position in Austria and central Europe, as a perfect supplement to its subsidiaries which include Crédit Suisse, Schweizer Polksbank and CSSB. "We do not step on each other's toes, we are a perfect match," Mr Gut said. Creditanstalt would gain from CS's capital, technological assets and international strength.

Andrew Adonis finds challenges to views of stocks as bond surrogates

Diverging views on UK utilities' identities

This has been a dismal week for utilities. British Gas's warning that it would not raise its dividend this year because of a new price cap imposed by the industry regulator had a knock-on effect on electricity companies as they too await a pricing review.

Such reverberations through the sector reflect the traditional view of utility stocks as interchangeable bond surrogates.

A vigorous debate is under way among analysts and brokers as to the relevance of bundling together electricity, gas, telecommunications and water companies in one utility sector.

The protagonists divide into two camps: the "divergers" and the "convergers". The "divergers" believe the utilities are going their separate ways. Their regulatory climates vary widely and their financial returns are diverging. Corporate activity and entry into unregulated sectors will reinforce these trends, as will the growth of competition in all the industries except water.

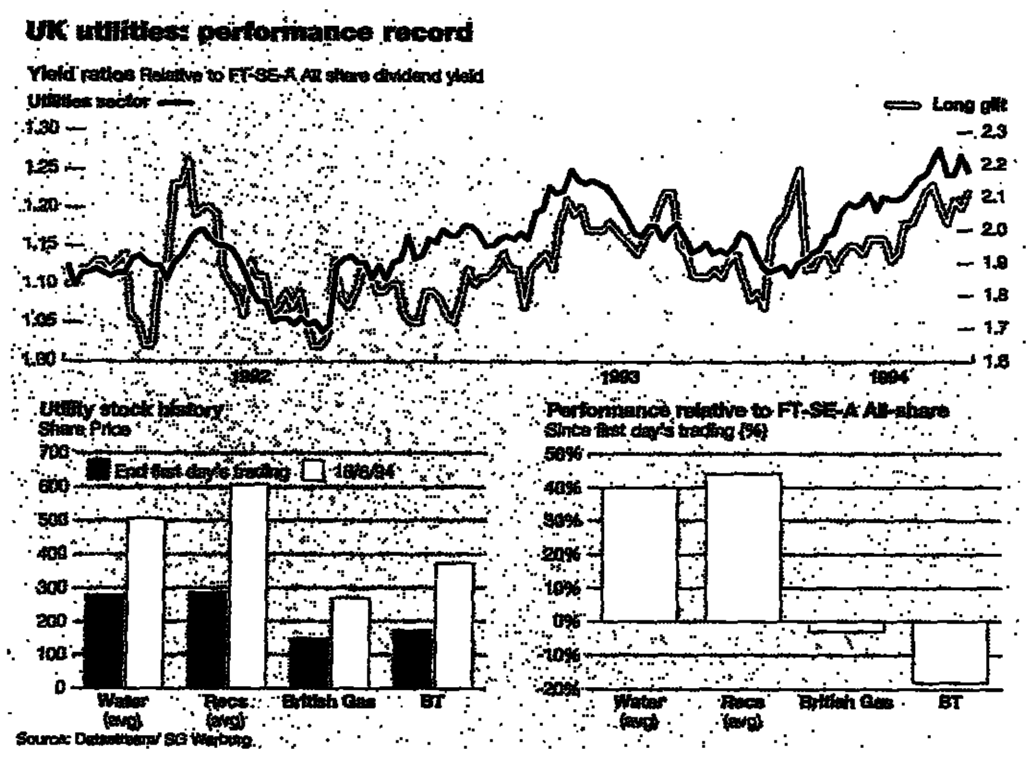
On this view, gas and telecommunications are prime candidates to lose their utility badges. British Gas and British Telecommunications remain dominant in their domestic markets. But they face stiff competition.

Both companies are exploiting overseas opportunities with relish. BT, for instance, will this year invest more in MCI, a US phone company, than in its UK network. With Mercury, cable companies and other new entrants taking market share in all telecoms sectors, BT chiefs speculate that the present regulatory price cap – due to expire in 1997 – will be the last.

Mr Robert Morris, analyst at Goldman Sachs, sees manifold opportunities for BT if it expands its home market and becomes an international leader in new services. Yet fears that competition is a one-way street have dragged down BT's share price, exacerbated by a slow-down in nominal dividend growth. Real dividend growth is expected to be between 3 and 4 per cent over the next few years, less than for electricity or water.

Mr Nigel Hawkins, of Hoare Govett, believes the decision to privatise gas and telecoms as single entities, but to split water and electricity distribution, has created a regulatory divide between the two groups of utilities. "In practice where there is more than one operator the regulator tends to be more generous to the sector as a whole, as we are likely to see with water and electricity in the reviews of their price caps, making a significant difference to expectations." Hence, in part, the better performance of water and electricity shares of late, although the latter has suffered in recent days.

However, Mr Hawkins paints a sharp difference even between water and electricity. With regulatory reviews ongoing in both industries, their regimes are diverging. While the water companies are set to have a price cap of, effectively, RPI+1.7 per cent, the Recs are likely to have to make a one-off cut of between 12 and 15 per cent with a price cap thereafter of around RPI-2.5 per cent. Furthermore, the lifting next year of the ban on the Recs being taken over will open up entrepreneurial options.



Source: Datastream/ SG Warburg

For water, he expects real dividend growth of around 4 per cent, while for electricity distribution it will be close to 6 per cent. In short, the water companies will become "akin to bonds", while Recs will be less sensitive to bond movements.

Not all diversifiers go that far. Mr John Wilson at UBS points to underlying growth in electricity demand of less than 1.5 per cent: "It is inconceivable that a company can grow its earnings and dividends greater than its growth of business in the long term." He sees gas and electricity, where limited competition is emerging, as natural bedfellows, with water as a monopoly and telecoms as a fully competitive business.

The "convergers" do not claim that the utilities will perform similarly in the short or medium term. They see the post-privatisation history of all four industries as a continuum and minimise the significance of competition and diversification.

Mr Bill Dale, utilities analyst at SG Warburg, says: "British Gas and BT are, in effect, more mature utilities than electricity and water, leading to an inevitable slow-down in their financial returns which will affect the others in due course.

"The privatised companies find it far easier to grow profits in their early years, when the cost-cutting – particularly redundancies – is easy and initial regulation is lighter." As for competition and diversification, "The track record of utilities diversifying is dreadful, and any institutional investor will initially take a negative view of it."

In the convergers' view, then, in the long-term all four utilities might be expected to perform at a fixed discount to bonds, as in the US. Fleming Securities stresses the "increasingly close" relationship between the gilt/equity ratio and the dividend yield of the utilities index relative to the FT-A All-Share.

"As competition and regulation reduce the scope for unexpectedly large rates of dividend growth, UK utilities will take on even more of the characteristic bond-like behaviour of their US counterparts."

Whether they will become bond substitutes remains problematic. While they serve as reasonably effective inflation hedges, their capacity to hedge against interest rates is more limited because in the UK price caps – and the permitted rates of returns underlying them – are fixed for several years at a time.

For all that, "divergers" and "convergers" agree that no self-respecting institution would want to do without the four utilities in their portfolio, given their size. It is all a question of balance.

Underwriters braced for Eurotunnel hangover

By Simon Davies in London

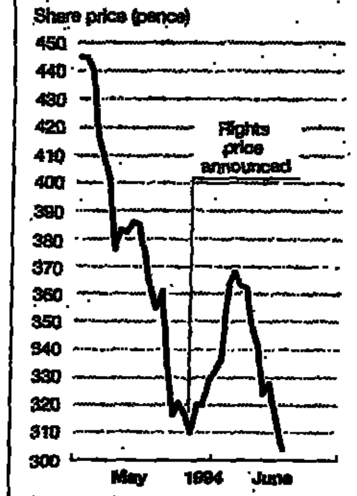
Eurotunnel's shares closed 14p lower at 303p yesterday, raising the likelihood that the underwriting syndicate may have to take up a significant portion of one of the UK's largest ever rights issues. The price of the UK-listed Eurotunnel units has fallen 18 per cent since June 6.

Underwriters were confident yesterday that small shareholders would take up their rights in the £858m ($1.3bn) share offer, despite the absence of free travel incentives, but they can ill afford a further fall in the share price.

The underwriters have a cushion with the rights shares priced at 265p. The burden will also be eased by fees: Eurotunnel is paying £42m, including legal and accountancy costs. The offer closes on Wednesday.

Background, Page 27

Eurotunnel Units



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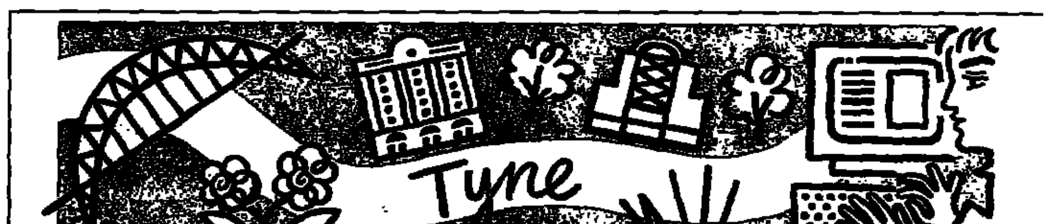

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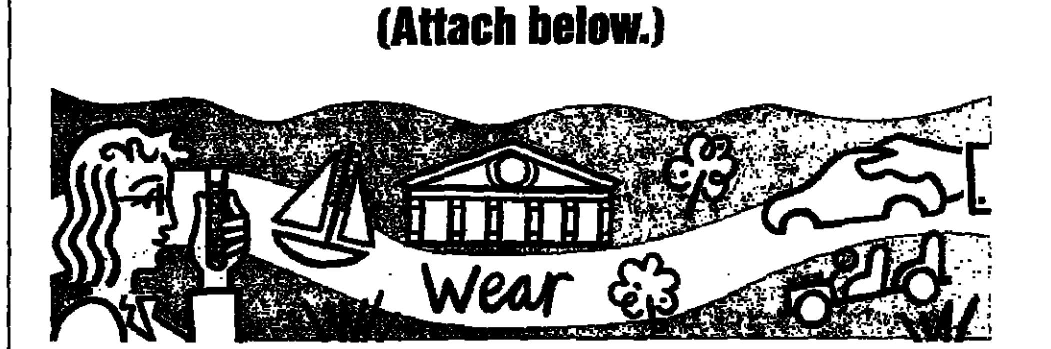

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TYNE WEAR

THE BIG FOUR BANKS OF THE NORTH EAST

Packagers merge beauty units

By Alice Rawsthorn in Paris

CarnaudMetalbox, the Franco-British group, is merging its health and beauty packaging interests with those of Wheaton, the privately owned US concern, to create the largest force in that segment of the international packaging industry.

Mr Jurgen Hintz, chairman of CarnaudMetalbox, said Wheaton International, the newly merged company, would be world leader in the profitable health and beauty packaging business with a 5 per cent market share on annualised sales of FFr5.1bn ($895m).

"We'll be the only company in that market with the capacity to launch products simultaneously all over the world," he added.

The merger reflects the consolidation among the cosmetic, perfume and pharmaceuticals companies that are the customers of CarnaudMetalbox and Wheaton's health and beauty packaging interests. These areas of the packaging market have shown strong growth in recent years thanks partly to the trend towards more elaborate packaging, particularly in the beauty sector.

CarnaudMetalbox and Wheaton, which respectively command annualised sales of FFr2.5bn and FFr2.6bn in the businesses that will be pooled to create Wheaton International, share some multinational clients such as France's L'Oréal, Procter & Gamble, of the US, and the Anglo-Dutch Unilever.

However, Mr Arnaud Fayet, director of CarnaudMetalbox, stressed the two companies were "very complementary in terms of regional spread and product specialisations". CarnaudMetalbox, he said, was strongest in Europe and in cosmetics packaging with Wheaton's strength lying in North America and the pharmaceuticals field.

The merger will speed up expansion in south-east Asia where CarnaudMetalbox has five production plants and Wheaton has a factory in China.

The ownership of Wheaton International will be evenly split between CarnaudMetalbox and its US partner.

The deal is expected to take effect from this autumn, subject to the approval of US regulatory authorities. Mr Hintz said that the effect on CarnaudMetalbox's earnings per share would be neutral for this year and next year.

UK media group buys four French units for FFr914m

By David Wighton in London and Alice Rawsthorn in Paris

Emap, the UK media and exhibitions group, has agreed to spend a total of FFr914m ($160m) on four acquisitions which will make it the third largest consumer magazine publisher in France.

The main deal is the purchase for FFr710m of Editions Mondiales, a Paris-based publisher with 8 per cent of the market. Emap is also buying France's biggest selling motoring magazine, L'Auto Journal, from Mr Robert Hersant, the press baron who owns *Le Figaro* newspaper.

Mr David Arculus, Emap managing director, said it had been planning a big expansion in France for some time having first entered the market in 1990 via a joint venture with Bayard Presse. "At one leap this gives us 10 per cent of the French consumer magazine market with a further 1 per cent in the joint venture."

He said most of the French titles were similar to those it owns in the UK and added that they were being acquired at *just the right point in the eco*nomic cycle. "The prospects for the French economy are now looking as healthy, if not healthier, than the UK with some signs of advertising starting to pick up."

French publishing was hit by a severe recession with advertising and circulation falling off sharply and new launches intensifying competition, particularly in the newspaper market.

A number of magazines, including Condé Nast's French Vogue and *Le Point, the politi*cal weekly, have cut their cover prices in an attempt to bolster flagging sales. The pressures have posed serious financial problems for a number of companies, notably Mr Hersant's huge media group.

Its sale of Auto Journal, part of a continuing disposal programme, heightened speculation about the fate of the group's remaining titles such as *France-Soir*, the loss-making evening paper.

Emap has long had its eyes on Editions Mondiales, a Paris-*based publisher whose* 28 titles include Télé Poche, one of the leading TV listings magazines, which sells 1.4m copies a week.

*Mr Arculus said that combin*ing the acquisitions with Emap's French operation would result in lower overheads and purchasing benefits.

The acquisitions made total operating profits of £1m ($1.5m) on turnover of £138m *last year, but Emap said the* deals would enhance group earnings in the first full year if, as it intends, they are *funded by debt*.

Mr Arculus said the slim returns partly reflected the fact that they had been privately-owned and run "with tax rather than profits in mind".

Emap's UK consumer magazines made £24m on turnover of £169m last year. Mr Arculus said this indicated the scope for improvement in the French businesses. He said this was reflected in the price, which was less than annual turnover.

Details, Page 18

Smith New Court posts sharp gain in earnings

By Norma Cohen, Investments Correspondent

Smith New Court, the UK-based equities marketmaker and broker, reported a surge in pre-tax profits for the year ended April 1994 to £95.2m ($158.6m), from £38.7m the year before, reflecting gains across most of the firm.

The firm's shares closed 4p higher at 373p, bucking the market trend in London yesterday. The dividend was increased to 10p per share from 6p.

Return on capital was 47.8 per cent in the year, more than double the 20 per cent rate of return the London Stock Exchange calculated the average UK securities firm earned in 1993.

"We are building products our clients want," said Mr Michael Marks, chief executive, *in explaining the firm's* success in its niche markets. Despite volatile trading conditions in the last quarter, prof*its in the second half nearly* doubled from the £31.1m recorded in the first half.

The firm does not provide *specific details of the profit*ability of its geographical regions. However, international income accounted for 57 per cent of the total against 43 per cent from UK activities. In 1986 domestic activities accounted for 80 per cent of the total.

Mr Marks said that profits from the firm's US-based Carl Marks and Co subsidiary, had *benefited from the installation* of a new system which allows regional stockbrokers to obtain critical share research electronically. "They pay us for it by their order flow," he said. Also, the US division benefited from the general trend *among domestic pension fund* investors to increase their exposure to non-US securities.

Also, Smith New Court said it has dramatically reduced its dependence on market-making as a source of profitability. In the latest year, marketmaking accounted for 48 per cent of profits with the remainder coming from commissions and fees.

Saint-Gobain expects rise in net profits

By Alice Rawsthorn in Paris

Saint-Gobain, the French glass and building materials group, expects to achieve a large increase in net profits during the first half of this year, according to Mr Jean Louis Beffa, chairman.

Mr Beffa, speaking at the group's annual general meeting in Paris, said the pick-up in activity which started during the final quarter of 1993 had continued so far in 1994. Saint-Gobain last year suffered a sharp fall in interim profits to FFr452m ($79.3m) from FFr1.4bn during the same period of the previous year due to the pressures of the European economic recession.

The group has benefited, according to Mr Beffa, from "improved economic conditions and the effects of cost-cutting" and is on course for a "significant improvement" in interim profits for 1994.

Peru sells 49% stake in cement producer

By Sally Bowen in Lima

The Peruvian government has sold its minority holding in Cementos Lima, the cement producer. The auction, held in Lima, was Peru's first over-the-counter primary offering for a privatisation.

Proceeds from the sale of the 49 per cent holding – comprising some 309,000 voting shares – topped $103m. The 39 per cent auctioned fetched $82m while existing shareholders paid $21m for another 10 per cent, the equivalent of the final price.

Lead managers for the sale were Bankers Trust of New York.

Thirteen stockbrokers presented bids which finally secured 41 per cent of the allocation at the clearing price of $266 a share.

Hermes forms alliance

By Hilary Barnes in Copenhagen

Hermes, the German credit insurance group, and Dansk Kaution, the Danish credit risk insurance company, have agreed a strategic alliance.

The German company would pay about DKr105m ($16.1m) for a 20 per cent stake in the Danish company, while Dansk Kaution would acquire a 30 per cent holding in Hermes's Swedish credit insurance company for DKr12m, Dansk Kaution said yesterday.

Dansk Kaution's articles of association, which prevent any one shareholder from owning more than 12 per cent of the company, must be changed before the alliance can come into force.

Basque co-op changes its culture

Mondragón is preparing to tap financial markets, writes Tom Burns

The Basque country's co-operative movement, centred on the town of *Mondragón*, is preparing to tap the international financial markets, marking a change to its 40-year-old history of worker-ownership.

"We are talking about a new culture for us," said Mr Miguel Angel Laspiur, chief financial officer of *Mondragón* Corporación Cooperativa (MCC), the corporate umbrella of 102 individual co-operatives which has *assets of Pta991bn ($7.2bn)* and posted combined sales of Pta424bn last year.

Mr Laspiur plans to create a *financial holding company* later this year, funded principally by foreign institutions, that will invest in some existing MCC co-operative units, such as Fagor Ederlan, the car component producer, and provide additional capital for new ventures.

These will be set up as limited companies, as opposed to co-operatives owned by their employees, and will be controlled by MCC.

"We are not talking big figures [for the holding company] right now and will only be seeking Pta10bn-Pta15bn but this is just the begining and the numbers could multiply fast," said Mr Laspiur.

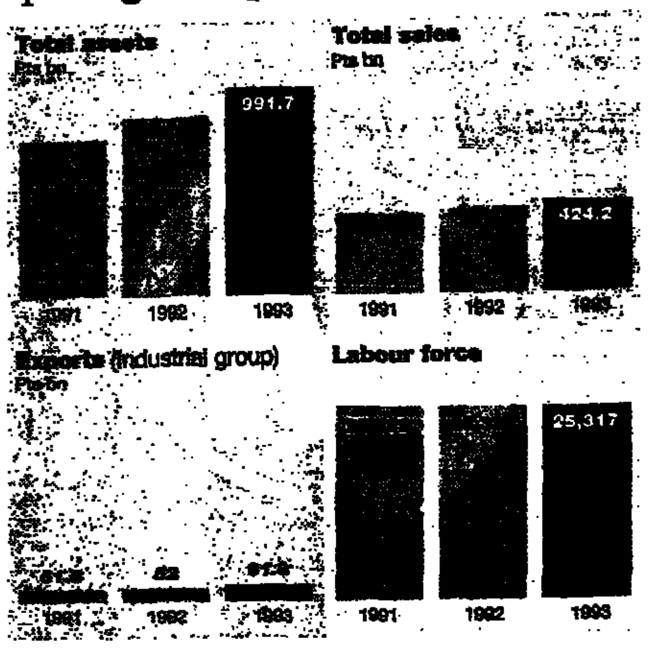
The development, which bears comparisons with the 1989 conversion and flotation of the UK's Abbey National building society and with the venture capital attracted by Australia's Westralian Farmers Co-operative, has attracted considerable interest.

Mr Javier Salaverri, managing director in Spain of Schroders, the UK merchant bank, says the offer was "a very exciting prospect and very sensible move by MCC which will enable it to compete for capital".

Mr Santiago Eguidazu, head of corporate finance at the Madrid securities firm AB Asesores agrees: "The Mondragón group is a great generator of industrial initiatives and it has long proved itself to be a high-quality industrial manager," he says.

Mr Laspiur concedes that it may be difficult to bring in the funds.

"There is no precedent for an industrial corporation of our size, which is owned by co-operatives and run from the bottom up, going to the markets and there could be problems in explaining what Mondragón is all about."



The most visible aspect of Mondragón is the output of machine tools, car components and electrical white household goods of its industrial division which had combined export sales of Pta61.8bn last year, 35 per cent of total sales and 19 per cent up on the 1992 export figure.

The chief executives of MCC, such as Mr Laspiur, who are elected by their fellow employees, are confident they will win round their colleagues and the fund managers

In spite of the recession, MCC posted good results last year with pre-tax profits of Pta28.9bn, a 28 per cent increase on 1992, and it expects to lift this year's gross income by a further 15 per cent to 33.5bn on sales of about Pta500bn.

MCC has benefited from diversification into three broad divisions: industrial production, distribution and finance and financial services.

The strong export business generated by the corporation's car component manufacturing units helped to raise the industrial division's earnings and offset dampened results posted by the co-operatives dedicated to manufacturing capital goods, machine tools and electronic products.

Increased profits in the financial division meanwhile helped to finance investments totalling Pta33bn last year in MCC's spreading network of hypermarkets.

There could be a problem explaining the capital markets to MCC's 25,000 employees who, as owners of the co-operatives, control the corporate decision making through elected councils and are intensely proud of their industrial democracy.

The less visible part of Mondragón is the close-knit manner in which the co-operatives have organised themselves into a cradle-to-grave welfare society hidden away among the narrow, lushly green and wooded valleys of the Basque Country.

It was founded by a far-seeing local priest, Fr José María Arrizmendiarrieta, in 1956. The Mondragón co-operative movement, as it was originally known, has grown into a worker-ownership empire that embraces a large technical school, a highly-regarded applied research centre and a financial division built around its own savings bank and its healthcare, life insurance and pensions group.

In a research paper for Bristol University, sociologist Dr Martin Fairclough noted that Mondragón has been "like a shrine and a wholly writ" for co-operative undertakings elsewhere in the world.

The chief executives of MCC, such as Mr Laspiur, who are elected by their fellow employees, are confident they will win round their colleagues and the fund managers.

Outside capital will soon be urgently required because the growth of the corporation, particularly in the distribution sector where it has ambitious shopping centre projects, can no longer be self-financed in a satisfactory way.

A degree of degeneration from the *worker-owner and* industrial democracy ideal has taken place. MCC has since 1991 been buying local engineering *companies and turning* them round into profitability although not into co-operatives.

In an even more drastic departure from its traditional approach to business, MCC is planning to open a white electrical *goods plant* outside Casablanca in a joint venture with a Moroccan investment group.

"Just like the Swedish multinational Electrolux came south and set up shop on Spain, we're going south into Morocco," *said Mr Laspiur*. One difference is that MCC's Mr Laspiur, as a member of a co-operative organisation, earns at best 55 *per cent of the* salary that the chief finance officer of a rival multinational might command.

Mr Laspiur and his *fellow* senior executives want to keep it that way and they believe that tapping the markets will not change the essential ethos of the Mondragón group.

However, some international fund managers might be surprised to hear Mr Laspiur admitting that he and his fellow top worker-owners are "a bit like monks".

This announcement appears as a matter of record only.

June 1994

LANDESBANK RHEINLAND-PFALZ

U.S.$1,500,000,000

Landesbank Rheinland-Pfalz, Girozentrale

(Incorporated under Public Law in the Federal Republic of Germany)

and

LB Rheinland-Pfalz Finance B.V.

(Incorporated with limited liability in The Netherlands)

Amounts payable in respect of Notes of which are unconditionally and irrevocably guaranteed by Landesbank Rheinland-Pfalz, Girozentrale

Euro Medium Term Note Programme

Arrangers

Merrill Lynch International Limited

Merrill Lynch Bank AG | **Merrill Lynch Finance S.A.**

Dealers

Daiwa Europe Limited | **Goldman Sachs International**

IBJ International plc | **Landesbank Rheinland-Pfalz, Girozentrale**

Lehman Brothers | **Merrill Lynch Finance S.A.**

Merrill Lynch International Limited | **Morgan Stanley & Co.** International

Salomon Brothers International Limited | **Swiss Bank Corporation**

This announcement appears as a matter of record only

STATE BANK OF VIETNAM

US$100,000,000

Five-Year Loan

Arrangers

Krung Thai Bank Public Company Limited

Export-Import Bank of Thailand

Lead Participants and Underwriters

Bangkok Bank Public Company Limited

Deutsche Bank AG, BIBF

Dresdner Bank AG, BIBF

Export-Import Bank of Thailand

Krung Thai Bank Public Company Limited - IBF

Thai Military Bank Public Company Limited - IBF

The Thai Farmers Bank Public Company Limited - IBF

Participants

Asia Credit Public Company Limited

Bank of America NT & SA, BIBF

Dhana Siam Finance and Securities Public Company Limited

Merrill Lynch & Co.

Thai Investment & Securities Public Company Limited

The Bank of Nova Scotia, BIBF

Union Asia Finance Public Company Limited

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June 17, 1994

AG Group and N.V. AMEV will be named Fortis AG and Fortis AMEV. What will that change?

Everything.

—— **The names, of course.** And that's a symbol of a fundamental change. Fortis was created by its parent companies - N.V. AMEV from the Netherlands and AG Group from Belgium - to build a strong international insurance and banking group.

—— **The names of the shares.** AG shares become Fortis AG shares and AMEV shares, Fortis AMEV. Now, investors and shareholders will follow Fortis AG share quotations in Brussels and Fortis AMEV share quotations in Amsterdam that reflect the value and success of all the companies within Fortis.

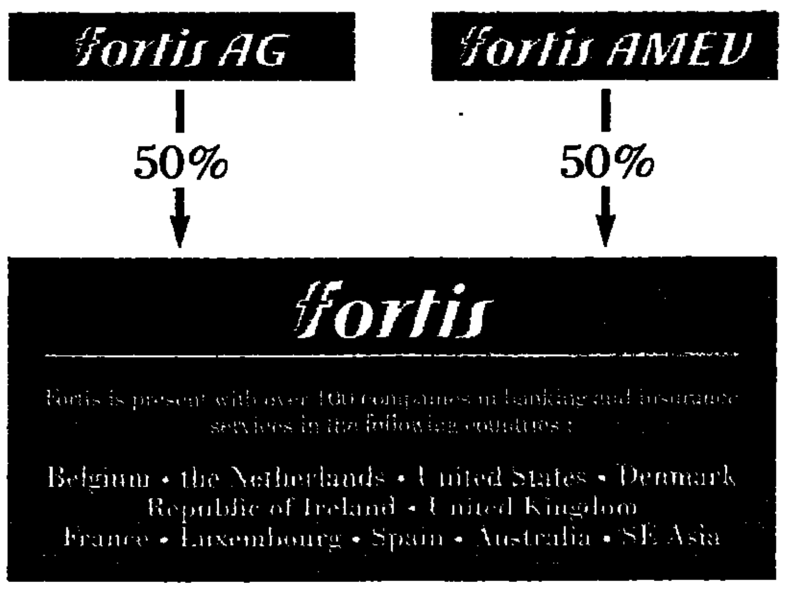
—— **A clear corporate structure.** Through a better identification with Fortis, further confusion will be avoided with "AG 1824" in Belgium and "AMEV Nederland" in the Netherlands, both major insurance companies in their home countries. Next to these two companies, there are more than 100 other companies on four continents sharing a vision for the future that will benefit clients, investors and personnel. The name of this vision? Fortis.

And nothing.

—— **Each Fortis company remains the same.** They retain their own identity, their own products and services. In every country, their individual brand names and logos will maintain a strong presence on the market as they continue to build their reputation for excellence.

—— **Our service remains the same.** Brokers and other professionals will continue to work with local Fortis companies whose quality products and services they have come to rely on. Clients will perceive no change whatsoever in their individual accounts or policies: whether they are with AG 1824, AMEV Nederland, VSB Bank, ASLK-CGER, Fortis in the United States or any other company of the group.

—— **The challenge remains the same.** Now, more than ever, each company within Fortis will continue to strive to play a leading role in its own market. And the 32,000 people worldwide who take on that challenge every day at local level, will know that they are part of a wider, international family. It's name? Fortis.



Fortis AG

Boulevard Emile Jacqmain 53,
1000 Brussels, Belgium.

Fortis AMEV

Archimedeslaan 10,
3584 BA Utrecht, the Netherlands.

SKF upgrades profits forecast for full year

By Christopher Brown-Humes in Stockholm

SKF, the world's leading maker of roller bearings, sharply upgraded its 1994 profit forecast yesterday, citing stronger-than-expected growth in volumes in its main European markets.

The group expects profits of SKr1.5bn ($190m) this year, compared with an April fore*cast of SKr1bn. This would be* its best result since 1990, and follows a SKr1.8bn loss in 1992 and a SKr669m deficit last year.

SKF said a recovery was under way in all its European *markets, particularly in the* automotive industry, its most important customer base. "It is probable that the favourable market trend will continue *during the remainder of the* year," it said.

Europe accounts for 60 per cent of group sales. "There is a strong recovery under way in Scandinavia, the UK and Italy. But we can also see that the German market is levelling out and starting to improve," the group said. It said there was *particularly strong growth in* demand from truckmakers.

The company is also benefiting from a solid upturn in the US market, where profits have increased every quarter for the past two years. The US is the *group's largest single market* with 25 per cent of sales.

"We are taking market share," the group said, although it declined to be spe*cific. Its share of the world* market, excluding China and former Comecon countries, is around 20 per cent, twice its nearest competitor.

SKF made a SKr306m profit in the first quarter of 1994, after losses of SKr355m in the same 1993 period. Sales climbed 12 per cent to *SKr8.05bn. The recovery has* been helped by extensive cost-cutting – which has led to the loss of 15,000 jobs over four years – and currency factors.

The company's B shares yesterday rose SKr1 to SKr139, *against a downward market* trend.

Celsius buys information technology business

By Christopher Brown-Humes

Celsius, the Swedish defence group privatised last year, said yesterday it was buying the information technology concern, Dialog, for up to SKr480m ($60.8m).

The purchase will broaden the group's range of consult*ing and technical services* and enable it to offer software development and computer operations expertise to military and civilian customers.

Dialog has 2,000 employees *and an annual turnover of* SKr1.8bn. This will lift Celsius's information technology sales to SKr6bn, and bring total group sales up to SKr15bn.

Mr Ake Plyhm, Celsius *president, said Dialog's cus*tomer profile, based around municipal authorities and large companies, fitted well with Celsius's other IT operations.

Two previous acquisitions, *Telub and CelsiusTech, have* given the group a strong position in the military information technology sector. However, it has also expanded into the civilian sector with Telub's purchase of the Swedish telecom company, Dotcom, and Celsius's acquisition of the voting majority in Enator, a firm of IT consultants.

Celsius will initially pay SKr385m for Dialog, and up to SKr95m more under an earnings-related formula.

It is buying the company from the Swedish Association of Local Authorities.

Crédit Lyonnais plans new US unit

By Richard Waters in New York

Crédit Lyonnais, the troubled state-owned French bank, yesterday became the latest foreign institution to announce plans for a large investment banking business in the US.

Meanwhile, CS First Boston, the investment banking subsidiary of CS Holdings, signalled a step in the opposite direction, with a move into arranging loans for US companies.

Crédit Lyonnais' reputation in the US has been damaged by its involvement with MGM, the film studio it has owned since it foreclosed on a loan to Giancarlo Parretti.

Mr Robert Cohen, the bank's chief executive in the US, said that business had been handled through the bank's Dutch operations, rather than its US bank.

He indicated that the US operations have been one of the most profitable parts of the group, making after-tax profits of $170m last year, equivalent to a return on capital of 24 per cent.

Crédit Lyonnais has grown to be one of the biggest foreign-owned commercial banking operations in the US in recent years, with $10.5bn in commercial and industrial loans and a staff of 700, up from 400 five years ago.

Mr Cohen indicated that *the bank intended* to expand its 100-strong investment banking business at the same rate of about 60 people a year, mainly on the fixed-income side.

The bank plans to sell European and US government bonds in the US, and to underwrite debt issues for both European and US companies, he added.

Crédit Lyonnais' fast loan growth echoes that of other foreign banks in the US.

According to a study released last week by the Office of the Comptroller of the Currency, foreign banks accounted for around 47 per cent of all commercial and industrial loans in the third quarter of 1992, double the level of 10 years before.

CS First Boston said it had hired Mr Robert O'Brien, a former managing director of Chemical Bank – one of the leaders in the syndicated loans market – to arrange loans for existing customers.

The move, unusual among investment banks, is the reverse of steps taken by US commercial banks to extend into the bond markets.

Loans originated by CS First Boston will be booked by Credit Suisse, the banking arm of CS Holdings.

Solid gain at Enso-Gutzeit

By Christopher Brown-Humes

Enso-Gutzeit, the Finnish pulp and paper group, saw profits after financial items reach FM365m ($66.4m) in the first four months, a sharp rise from last time's FM86m.

The group benefited from higher pulp and sawn-goods prices, as well as foreign exchange gains and lower financial costs.

The upturn would have been stronger, but for a 7 per cent appreciation in the value of the markka and higher depreciation costs.

Markka prices for fine paper, newsprint and coated magazine paper were also lower than a year ago.

The group remains optimistic about prospects because of strengthening prices for most pulp and paper products and rising capacity utilisation.

Mr Jukka Härmälä, chief executive, said 1994 figures should show a "clear improvement" on *last year's FM385m* profit, "provided there are no unexpected turns in external factors".

The figures are further evidence of a broad recovery in the Nordic pulp and paper sector.

Sales rose 19 per cent, to *FM5.5bn from FM4.6bn, mainly because of last year's purchase* of forestry and board operations from Tampella. However, operating profits rose only 5.6 per cent, to FM701m from FM664m, due to the stronger markka, falling prices, and higher depreciation.

Lower interest rates and the healthier markka reduced financial costs to FM374m from FM508m.

There was also a foreign currency gain of FM38m, after a FM70m loss last year.

Meanwhile, Enso said it had tightened its grip on Berghuizer Papierfabriek, its struggling Dutch paper subsidiary, *following* a public offering for the outstanding shares in the company. Enso's stake has risen to 77.1 per cent from *57.8* per cent. The offer will be extended.

Berghuizer specialises in high-quality copying and writing papers, in a highly-competitive market.

Last year, it suffered a Fl 14.8m loss on sales of Fl 194.8m. Its performance is *not expected to improve this* year.

VNU shows interest in elements of Ziff

By Ronald van de Krol in Amsterdam

VNU, the Dutch publisher, yesterday expressed interest in buying parts of Ziff Communications, *the US-based publishing group put up for sale last* week. However, it ruled out an outright bid.

The Dutch publisher emphasised it was not actively looking at Ziff. "We have had no contact with them whatsoever, and they haven't had any with us," a spokesman said.

Ziff, which is expected to be sold for between $2bn and $3bn, was too big an acquisition for VNU to contemplate, he said.

Reed-Elsevier, the Anglo-Dutch publishing group with the resources to make takeovers on this scale, refused to make any comment on whether it was considering a bid.

Ziff, the world's largest publisher of computer magazines, was put up for sale by the Ziff family last week.

There has been speculation *on possible bidders among the* world's publishing groups, but no company has yet publicly expressed an interest in buying the privately-held group.

Like Ziff, VNU is active in computer magazines, particularly in the UK and continental Europe. It is also active in consumer and trade magazines, regional newspapers and commercial television.

VNU carried out a share issue earlier this year to finance the acquisition of BPI Communications of the US, whose titles include the daily newspaper Hollywood Reporter and Billboard magazine.

Lotus in electronic mail acquisition

By Alan Cane

Lotus Development Corporation, the Massachusetts software company, is buying Softswitch, a privately-held company, for about 1.3m Lotus shares. This values *Lotus* at just over $70m.

Softswitch *supplies* electronic mail message switches that create links between electronic mail systems from different manufacturers. Mr Michael Zisman, Softswitch president, will become vice-president of a new Lotus business group, Inter-Enterprise Computing.

The group will bring together Softswitch and a venture involving AT&T called Network Notes, headed by Mr Larry Moore, vice-president of Lotus Telecommunications Services.

Lotus, one of the largest US software houses, rose to prominence through the success of its integrated spreadsheet, 1-2-3.

More recently, it has achieved significant sales for *Lotus Notes, a groupware prod*uct which integrates messaging, forms-generation and document flow in large networked environments.

Among the organisations using Notes is Andersen Consulting, a leading information technology consultancy. Lotus' marketing alliance with AT&T is designed to broaden Notes appeal.

Mr James Cosgrove, head of AT&T's data communications services division, said recently inter-company networking and data-sharing were two of the principal trends driving progress in computer networking.

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Taiwan Investment Trust PLC

Placing and Intermediaries Offer to raise £45,000,000

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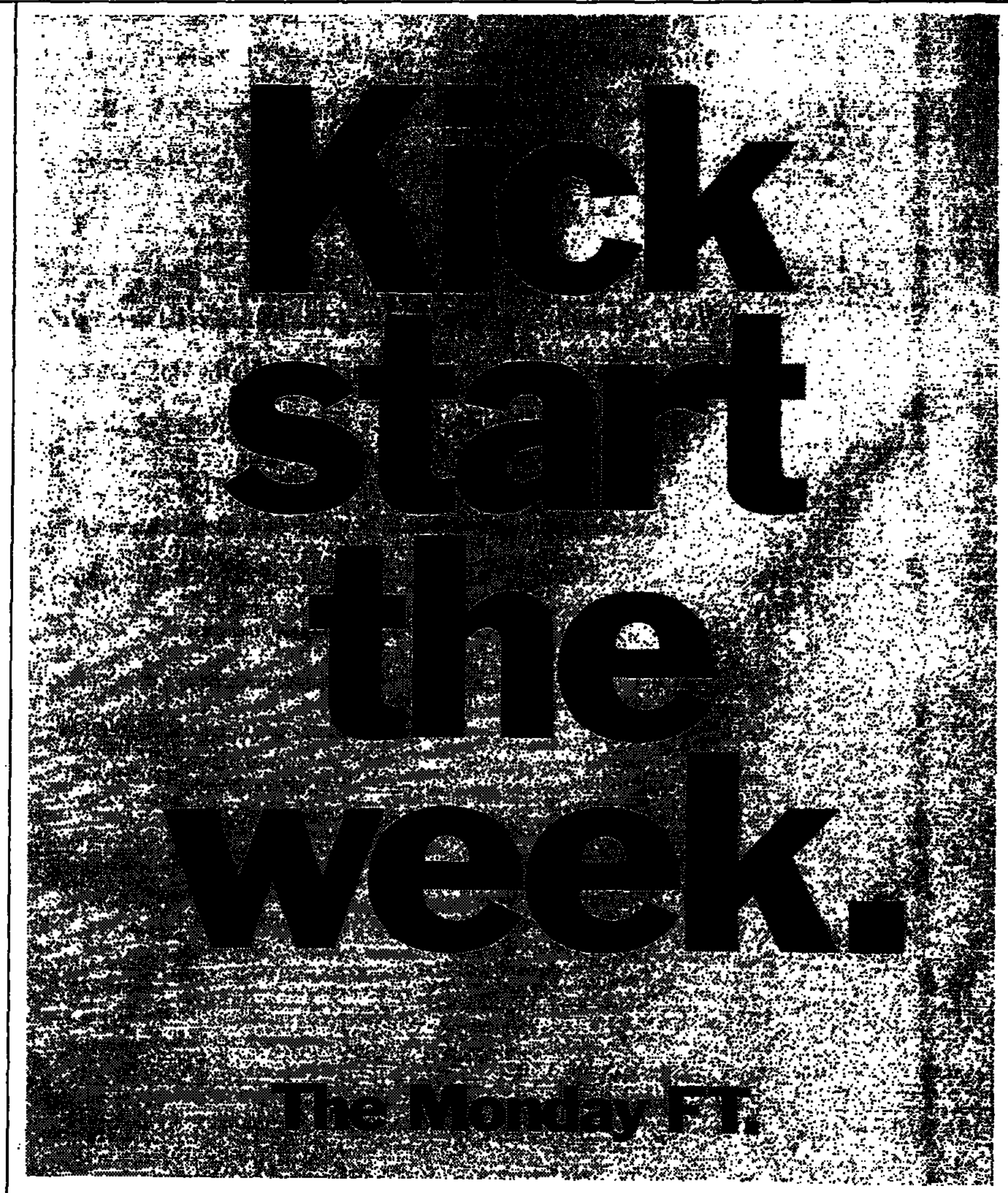

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INTERNATIONAL COMPANIES AND FINANCE

Morgan Stanley banks on new blood infusion

The firm is pursuing an ambitious hiring plan despite the downturn, writes **Patrick Harverson**

Morgan Stanley, like other big securities firms on Wall Street, is not having a particularly great 1994, at least when compared with the industry's record-breaking results of last year.

In the February-to-April reporting period, its profits fell 41 per cent to $189m as global financial markets were made suddenly unfavourable by an unexpected surge in US interest rates early in the year.

Unlike every other firm on Wall Street, however, Morgan Stanley is pursuing an ambitious hiring strategy, in spite of the disturbing downturn in business.

Last year, its payroll jumped by 11 per cent to 8,273, and it is expected to reach 9,300 by the end of this year. A good deal of the hiring has been concentrated in overseas operations, and in investment banking, where staffing is due to climb from 800 to 930 before the end of 1994.

The hiring strategy at Morgan Stanley, one of the most aggressive seen on Wall Street in a long time, is remarkable because it runs counter to traditional Wall Street thinking, that payrolls should be trimmed, or at least frozen, when market conditions are unfavourable and profits are falling.

"We are going to use this difficult period to invest in the business, and not figure out a way to cut back," says Mr Dick Fisher, Morgan Stanley chairman.

The decision to stick with the hiring plan is predicated on two important assumptions: that the current downturn in market conditions is only temporary and the best prospects for Wall Street firms lie overseas, particularly in investment banking.

Although the latter assumption is widely held within the industry, Morgan Stanley is taking something of a gamble in predicting a recovery in securities markets. Mr Fisher, admitting that many on Wall Street view the situation differently, says: "We think that the current period of correction is an interruption of a very positive trend, not the end of the cycle."

While this optimistic view is clearly an important factor behind the hiring spree, there is another side to the story.

The firm has been bringing in new people to its investment banking division partly because it needed to fill the holes which opened up when a string of top bankers followed the former president Mr Robert Greenhill out of the door last year. He defected to rival securities house Smith Barney Shearson.

The departure of Mr Greenhill – who left Morgan Stanley after 31 years when he was overtaken by the current president Mr John Mack in the race to succeed Mr Fisher as chairman when he retires – was a big blow to the firm.

Dick Fisher: especially bullish about the firm's M&A business

Having made his name during the 1980s as one of the top mergers and acquisition bankers on Wall Street, Mr Greenhill enjoyed close working relationships with some of the biggest corporations in the US.

His ties with the entertainment group Viacom, for example, ensured it was Smith Barney, not Morgan Stanley, which played a pivotal (and highly lucrative) advisory role in Viacom's $10bn merger with Paramount Communications earlier this year.

The impact on the firm of Mr Greenhill's loss last June was exacerbated by the defection soon after of more than a dozen other Morgan Stanley bankers, many of whom joined Mr Greenhill at Smith Barney, whose investment banking unit has begun to gain ground on its rivals.

The defections came at a particularly bad time for Morgan Stanley, because they fuelled the perception that the firm's investment banking powers, which have been waning for several years, were in permanent decline.

The firm dominated the rest of Wall Street in the late 1970s and early 1980s – consistently ranking first in the industry with a near-20 per cent share of the US stock and bond underwriting market – but it now sits well back in the pack, ranking seventh among underwriters last year with a market share of only 6.4 per cent.

While Mr Fisher insists the loss of Mr Greenhill and others from the investment banking division was not a serious blow to the firm, he is unhappy with the steady decline in Morgan Stanley's share of the domestic underwriting market since the mid-1980s.

"We're not where we want to be and are taking steps to address that," he says, steps that have involved reorganising the investment banking department's top management, and hiring fresh talent in the US and overseas.

The firm's most notable newcomer is the former First Boston and Wasserstein Perella M&A wizard, Mr Joseph Perella, who arrived at Morgan Stanley last summer with a fistful of blue-chip corporate clients.

Mr Fisher says the infusion of new investment banking blood has begun to pay off at home and abroad. "Five of the six largest equity deals this year have been lead managed by Morgan Stanley, and we've seen a significant upturn in European business."

With people like Mr Perella on board, Mr Fisher is especially bullish about the firm's M&A business. The current M&A assignment load is, he says, the heaviest in three-and-a-half years, and he sees great opportunities in particular sectors, notably healthcare.

"There is absolutely no doubt in our minds that we are in the very early stages of a major restructuring of healthcare, where you will see very large transactions."

Morgan Stanley's chairman, however, is keen to ensure the firm does not repeat the mistake of the 1980s, when, in its enthusiasm for deal-making, it neglected the underwriting side of the business.

"There is no question that we went through a period from 1986 to 1989 where we were paying too much attention to strategic work – M&A and that kind of thing – and not enough attention to [customers'] capital needs. We identified that problem in 1989, and have been correcting it."

Part of the correction has involved a rapid build-up in derivatives capabilities, and further expansion into foreign capital markets.

With new offices in Shanghai and Bombay, Mr Fisher says the firm is always on the look-out for opportunities in emerging markets. "We are finding, regularly, locations where we can put in place something more than a listening post."

The overseas expansion is paying off: last year just under 50 per cent of the firm's $9.2bn in revenues were generated overseas.

If the current rate of growth is continued, with more traders and bankers hired for non-US operations, it will not be long before more than half of Morgan Stanley's revenues come from overseas. In an increasingly global financial world, it appears nothing would please Mr Fisher more.

AT&T in video conferencing link

By Patrick Harverson
in New York

AT&T, the US telecommunications group, has formed an alliance with a group of leading US software and computer equipment companies to deliver a new video conferencing network product to business customers.

AT&T said its WorldWorx Solutions product would allow business users worldwide to see and work with each other on their desktop computers while sharing files and data.

The group said the companies – IBM, Apple Computer, Lotus Development, Novell, Xerox, Sun Microsystems, PictureTel and VideoServer – had agreed to allow WorldWorx users to make conferencing calls on their equipment.

Video conferencing is one of the fastest-growing areas of the business-to-business telecommunications market, and international companies are competing to provide users with products that incorporate the latest in communications and computer technology.

The product is a development of a service launched last year that allowed video and data calls from one desktop unit to another, but not among people with equipment from different computer, software and camera vendors.

Mr Alex Mandl, chief executive of AT&T communications services, said customers liked the original video conferencing product, but wanted to be able to call more than one person without worrying about compatible hardware. Explaining how the WorldWorx Solutions works for those using the video conference network, Mr Mandl said: "During a conversation, I can call up a file on my desktop computer, show it to several colleagues, allow them to edit it if I want to, and then just click on a single button to give them the file."

Fresh evidence on US drug

By Daniel Green

Clinical trials results for Antril, a US septic shock drug, say it is effective in many cases, contradicting evidence published last year which led to a collapse in the share price of its Colorado manufacturer Synergen.

The research, published in the Journal of the American Medical Association, says Antril helps very ill patients live longer.

The company's market capitalisation fell from $1.5bn to less than $400m on the news early last year.

Citibank applies for full Mexican licence

By Richard Waters
in New York

Citibank, part of the US banking group, is the first foreign bank to apply for a licence to operate as a full-service financial institution in Mexico.

Under the North American Free Trade Agreement, ratified last year, US banks are permitted to carry out a wide range of activities in Mexico under the auspices of a locally-incorporated holding company.

Citibank said it had applied to create a holding company in Mexico with minimum capital of 1bn pesos ($296m), making it the first foreign bank to take this step. It plans to develop securities broking and leasing businesses, as well as a banking operation.

● Bankers Trust of the US became the latest in a long line of international banks to open representative offices in Beijing, writes Tony Walker in Beijing.

A bank representative said the new office move represented Bankers Trust's commitment to China and to Asia.

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By: The Chase Manhattan Bank, N.A.
London, Agent Bank

June 17, 1994

CHASE

Mortgage Securities (No.2) PLC

£250,000,000

Mortgage backed floating rate notes due 2028

For the interest period 15 June 1994 to 15 September 1994 the notes will bear interest at 5.305% per annum. Interest payable on 15 September 1994 will amount to £1,337.15 per £100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

RPS

Residential Property Securities No.3 PLC

£95,000,000

Class A1 Notes

Mortgage Backed Floating Rate Notes due 2025

Notice is hereby given that there will be a principal repayment of £11,684 per £81,532 Note pursuant to Class A1 of the Notes on the interest payment date 29th June 1994. The principal amount outstanding on 30th June 1994 will therefore be £69,848 per Note.

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GOOD RESULTS IN 1993

In 1993, Framatome's revenue reached FF 17 billion, versus FF 12.7 billion in 1992.

This increase of slightly over 33% is mainly attributed to revenue from recently acquired subsidiaries:

- the revenue of fuel manufacturing companies acquired in July 1992 were recorded for the full year,
- the acquisition of Jeumont Industrie in 1993,
- in the connector field, Daut + Rietz and Connectors Pontarlier were also acquired this past year.

The increase is also due to the invoicing of non-recurring contracts: the fuel transfer station and related systems for Superphenix (Framatome) and the European Transonic Windtunnel (ETW) test section, designed to simulate the flight conditions of large European commercial aircraft (NFM).

Net income after minority interests was FF 863 million. Its decrease compared to 1992 (FF 950 million) is explained by the following:

- in the connector field, the drastic worldwide decline of orders in the military and civil aviation industries,
- at Jeumont Industrie, the implementation of a necessary industrial restructuring plan has been costly, particularly in the electromechanical sector.

At the close of the 1993 financial year, the order book reached the same level as at year-end 1992. In the nuclear sector, it comprised four nuclear reactors in France and two nuclear islands in the People's Republic of China (Daya Bay). The first Daya Bay unit started commercial operation in February 1994 and the second, in May, to the entire satisfaction of our customer.

At the beginning of 1994, Framatome submitted an offer to the Taiwan Power Company (TPC) for the supply of two nuclear islands for the fourth Taiwanese nuclear power plant.

The acquisitions made or consolidated in 1993 are in line with the Group's strategic objectives that have been in effect for almost 10 years. The 1993 takeover of Jeumont Industrie, which manufactures reactor coolant pumps and control rod drive mechanisms, rounds out our expertise in the nuclear sector. The acquisition at the end of 1992 of Daut + Rietz (automotive) and in April 1993 of Connectors Pontarlier (telecommunications) strengthens FCI's potential in these two burgeoning sectors.

In addition, Framatome Connectors International (FCI) has been reorganized throughout the world into divisions, and the resulting profit is only starting to be felt in 1994.

Industrial investment and rationalization efforts undertaken in certain businesses in 1993 continue to bear fruit. They have already produced a significant recovery in results during the first quarter of 1994, particularly in the connector field.

I - OPERATIONS	1993	1992
Consolidated revenue (in millions of FF)	17,011	12,668
Nuclear share	10,358	8,009
	60.9%	63.2%

II - NET INCOME AND DISTRIBUTION	1993	1992
Corporate share of net income (in millions of FF)	863	950
% of revenue	5.1%	7.5%
Number of shares outstanding	10,200,000	10,200,000
Corporate share of net income per share (in FF)	81.6	93.1
Proposed dividend per share (in FF)	39.00	46.50

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An unsentimental view of Hong Kong's future

Wheelock's Mr Woo has a clear view on the way the colony is to survive, writes Simon Holberton

For a man whose personal wealth has fallen in value by almost US$1bn this year, Mr Peter Woo, chairman of Wheelock, the large Hong-Kong based conglomerate, is remarkably confident.

"It's all paper stuff," he says. "You can't look at the share market and say: 'this is reality'. It's your businesses, it's your networking, it's your markets: these can't be simply reflected on any one day in terms of what the market perceives."

Mr Woo's insouciance in the face of a near 30 per cent fall in the Hong Kong stock market since the beginning of this year (and a 22.5 per cent fall in the price of shares in Wheelock) may be in part due to his ownership of almost 60 per cent of the company leaving him feeling impervious to hostile takeovers.

But the language he uses to display his lack of concern underlines an attitude to business which Asian businessmen such as Mr Woo, moving between the Chinese and the Anglo-Saxon worlds, are beginning to exemplify.

Sporting a Columbia University MBA, Mr Woo, 49, is as comfortable with the latest western management concepts and practices as he is with the observance of traditional Confucian values.

He is a one of the handful of businessmen in Hong Kong whose commitment to the colony after its reversion to Chinese sovereignty in 1997 is crucial to its long-term success. His group, which has a combined market value of more than HK$100bn (US$12.9bn), not only owns some of the enduring symbols of Hong Kong – such as the Star Ferry, and the Peak Tram – but is a large developer of residential and commercial property and has sizeable interests in the colony's infrastructure and container port.

Last month Wheelock made its a first step into the financial services industry by announcing a US$100m joint venture with National Westminster Bank of the UK, to form Wheelock NatWest, a merchant bank.

Two months earlier Wheelock teamed-up with Mr Richard Branson's Virgin group to bring Virgin's music stores to Hong Kong and China, swapping its control of retail shopping space for Virgin's flare in mass marketing music.

Both the NatWest and Virgin tie-ups fit neatly into Mr Woo's strategy for Wheelock: that it should link up with foreign companies which have expertise or products it lacks. But both deals look small compared with the main challenge Mr Woo has set himself – to establish a substantial presence on the China mainland.

Peter Woo: insouciant in the face of a near 30 per cent share fall

Two years ago Mr Woo caught investors' attention when he sketched an idea of how to exploit the position of Wuhan, the capital of Hebei province situated on the Yangtze river.

His idea was to build a big container port on the river, with road and rail links to Shanghai and Hong Kong, and industrial and commercial parks.

Ever since the late 19th century Wuhan has been touted as the Chicago of China. Like much of China, then and now, the city was seen to have enormous potential. But Mr Woo is finding some difficulties with his vision. Although a number of feasibility studies have been finished, his grand design for Wuhan has progressed at a slower pace than he would have liked.

"They [China's central government] have resource limitations themselves. In terms of their own development plans they have their own priorities and developing Wuhan was not in their five-year plan," he says.

"If there is no outside party from Hong Kong to kick-start these projects then they will take much longer to happen," he says. "Bureaucratic politics is extremely intense between cities and provinces, ministries, and across ministries. It's almost like if the idea is from another bureaucracy it must be a bad idea to start off with. So they're usually not very receptive to somebody else's idea, but if it's from the outside then at least you can get to talk about it."

Mr Woo says it is the quality of the proposal which determines success or failure. "I think one should be clear that legitimate business is done whereby your deal and proposal stands on its own. I mean, you might have one or two small deals where people allow you to do things, but you cannot look at that as a way of business."

Any conversation with a Hong Kong tycoon invariably leads to the colony's future and the Sino-British row over its political development. While most of his peers shy away from comment, Mr Woo does not. His reaction to the row is practical and undramatic.

"There was an idea about how nice it would be to pass through 1997 without any changes. Well that's not going to happen, something seems to have gone wrong. Is this something we can live with, or is it something which suggests the sky is going to fall in? Well, evidence of the sky falling in is not very strong. We have a large engagement here and we must look ahead, we must look through this."

Mr Woo thinks Britain is wasting its time fighting with China so close to the change in sovereignty. "I believe they [the Chinese] are sincere about civil rights, but they will not allow political rights whereby one political party can get 31 seats to control Hong Kong's legislature," he says.

The greater right for Hong Kong's 6m people is not elective democracy but the freedom to leave the colony when they want. "Article 31 of the Basic Law [China's constitution for Hong Kong] says that everyone in Hong Kong has freedom of movement. That is a very important policy. If you take that clause away no matter if you have democracy here or not it will not work."

Mr Woo also has an unsentimental view of Hong Kong's future. For him there is only one way for colonial Hong Kong to survive. "We have to make sure that we enhance our own value and we have to do it in a way that is not very threatening to anybody who works with us. It is the enhancement of our value that will put us in a good position to extend the lease for another 50 years."

Foodland offer faces probe

By Nikki Tait in Sydney

The Trade Practices Commission, Australia's competition watchdog, expects to "look very closely" at the A$500m (US$365m) break-up bid launched on Wednesday for Foodland Associated, the Perth-based retail and wholesale group.

The bidder, Rank Commercial, a privately-owned New Zealand company, intends to divide and sell on Foodland's assets if the offer gains 75 per cent acceptance.

Its NZ interests would be sold to Whitcoulls, a stationery and bookshop group, while its Australian assets would pass to Coles Myer, one of Australia's biggest retailers.

Mr Alan Fels, TPC chairman, said a major area of concern was that Coles might find it easier to raise prices if it took control of Foodland's Australian assets. It would move to a very strong position in West Australian grocery retailing and already has non-controlling interests in independent wholesalers in other states.

However, the bidding group, which met TPC officials yesterday, said it had no reason to think the commission would block the bid, which is being contested by Foodland.

TPC concerns, meanwhile, failed to halt a 76 cent rise in the Foodland share price, to A$5.51 – well in excess of the A$5.27 a share bid price.

● Broken Hill Proprietary, the Australian resources group, has filed its defence documents in the A$4bn environmental lawsuit brought against it by some 6,000 villagers living around the Ok Tedi copper mine in Papua New Guinea, which BHP manages. It said its defence overall did not vary from its previous position; that Ok Tedi operates in compliance with PNG law and with the support of its government.

● Foster's Brewing, the Australian brewer, has extended its licensed production and distribution agreement with Germany's Holsten Breweries to a national basis. It claimed the arrangements should allow it to become the top-selling foreign beer in Germany. It is currently in the number two spot.

Ahold group report 14.7% profits rise

By Ronald van de Krol in Amsterdam

Ahold, the Dutch-based international food retailing group, reported a 14.7 per cent increase in first-quarter net profit, slightly below the 15.4 per cent rise in the fourth quarter but higher than the 12.5 per cent gain posted in 1993 as a whole.

Net profit rose to Fl 110.3m ($59.6m) from Fl 96.2m in the first quarter of 1993, on sales up 7.8 per cent at Fl 8.6bn.

Operating results in the Netherlands rose by 3.2 per cent to Fl 90.4m. Operating profit in the US was up nearly 5 per cent at $50.5m.

Fokus Bank property arm under investigation

By Karen Fossli in Oslo

Fokus Eiendom, the property arm of Fokus Bank, Norway's third-largest commercial bank, is to be investigated following alleged irregularities connected with property disposals.

The transaction has already forced the resignation of Mr Leif Klevan, the bank's managing director and chairman of Fokus Eiendom. Mr Stein Oeverland, Fokus Eiendom's chief executive, is expected to shortly step down.

Under Mr Klevan and Mr Oeverland, Fokus carried out 250 property disposals with an estimated value of NKr1bn ($138.8m), since January 1992, including the alleged sale of a stake in a shopping centre.

Norway's banking, insurance and securities commission, the finance industry watchdog, has launched an investigation into Fokus and its property arm.

Fokus Bank itself plans an internal audit of the property unit. The bank said the purpose of its investigation was to "uncover eventual irregularities of transactions and to evaluate Fokus Eiendom's routines for the purchase and sale of property".

The group is to submit its findings on June 27. The final report will be handed to the board in August.

SIP

Società Italiana per l'Esercizio delle Telecomunicazioni p.a.

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Registered at the Court of Turin N. 131/17 Register of Companies
Fiscal Code N. 00580600013

NOTICE TO SHAREHOLDERS

Merger for the incorporation into SIP of IRITEL, ITALCABLE, SIRM and TELESPAZIO

Method, terms and conditions for the exercise of the withdrawal right following the modification of Art. 4 (Object) of Company by laws.

Notice is hereby given that on 6th June 1994 the resolutions of the SIP Extraordinary Shareholders' Meeting of 19th May 1994 were registered at the Court of Turin, no. 34131 of the Order Register.

Therefore, in application of Art. 2437 of the civil code. SIP Shareholders who did not participate in the Meeting and who intend to exercise the right of withdrawal must send the withdrawal statement by registered post to:

SIP - Società Italiana per l'Esercizio delle Telecomunicazioni p.a.
Sede Legale - Direzione Generale
Amministrazione - Tesoreria e Gestione Crediti
Rapporti con l'Azionariato
Via San Dalmazzo, 15 - 10122 Turin

The withdrawal statements must be sent no later than 21st June 1994 (the postmark will be proof). The Company will accept the withdrawal statements sent according to the above terms, as long as they arrive by and no later than the further deadline of five days, that is 27th June 1994. Due to the limited time the withdrawal statement can be sent in advance by fax (011-5515555) with successive confirmation by registered post.

The withdrawal statements must include personal details, fiscal code, address and telephone number of the withdrawing Shareholder, indication as to the number of shares to be withdrawn, identification number of share certificates, as well as indication of the Depository if the shares are in custody.

Furthermore, and pursuant to the above, the declarant will have to send, together with the above mentioned statement, or if this is not possible, by 8th July 1994, adequate proof of being a Shareholder prior to 19th May 1994.

In particular:
- for the shares not issued in centralised management through Monte Titoli S.p.A. the representative certificates of the shares will have to be deposited at the Company (registered office in Turin, Via San Dalmazzo, 15 or secondary office in Rome, Via Flaminia, 189) and at the same time it must be shown that their transfer to the withdrawing Shareholder was executed prior to 19th May 1994; this proof will be supplied: for registered shares - ordinary and savings - with certificates showing the registration or endorsement to the withdrawing Shareholder before 19th May 1994, and for bearer savings shares through purchase confirmation (or equivalent document) dated prior to 19th May 1994;
- for the shares issued in centralised management through Monte Titoli S.p.A., the certificate issued by the Depositary in accordance with law no. 289/1986, proving that the ownership of the shares was in force prior to 19th May 1994, will have to be consigned: furthermore, the written notice of the execution of the transfer order from the account of the Depositary Monte Titoli S.p.A. to the SIP account, communicated according to normal banking procedure and delivered to SIP within the above deadline of 8th July 1994, will be considered equivalent to the actual delivery of the share certificates to SIP;
- for the shares negotiated in the Stock Exchange and for which, by 18th May 1994, the purchaser had not acquired the transfer, in the case of registered shares, or the delivery, in the case of bearer savings shares, the withdrawal will be possible only if the acquisition in the Stock Exchange can be shown with a document dated prior to 19th May 1994, the delivery of the share certificates still being obligatory.

Reimbursement

Once the duties concerning the control of the received requests have been carried out, the reimbursement will be proceeded with on the basis of the average of the official daily prices noted in the Stock Exchange during the six months prior to 19th May 1994, and precisely:

Lit. 4,078 for every ordinary share;
Lit. 3,464 for every savings share:

before tax. It is specified that the amount on which to calculate the said taxes is equal to Lit. 3,122 for every ordinary share and Lit. 2,555 for every savings share. In the cases foreseen by present regulation the prescribed models RAD will be issued.

The amounts due will correspond with the starting date of the change in the company object, which will coincide with the operating date of the civil law aspects of the merger, and that is: the first day of the stock exchange month following the last of the merger registrations according to Art. 2504 of the civil code, or the first day of the calendar month, whichever is earlier.

The reimbursements will be made gradually in relation to the order of receipt of the relative statements, providing that they are complete and regular.

The legal interests, from the date of assumption of the modified resolution of the company (19th May 1994) until the day of the payment of the reimbursements, which will be made public with the appropriate notice, will be recognised on the amount of the reimbursements, according to the CONSOB provisions.

Rome, 6th June 1994

The President and Managing Director
(Ernesto Pascale)

STET

GRUPPO IRI

LMS

Annual Results
Year ended 31 March 1994

Net rental income record £30 million (1993 - £29.5 million)
Profit for the year £20.8 million (1993 - £16.8 million)
Portfolio valuation £380 million (1993 - £321 million)
Shareholders' funds £319 million (1993 - £258 million)
Earnings per Ordinary share 8.59p (1993 - 7p)
Dividends per Ordinary share 4.2p (1993 - 4p)

- ☐ Increase in tenant interest with lettings being established on improving terms
- ☐ Group's balance sheet exceptionally strong with cash and listed securities totalling £190 million
- ☐ Net borrowings at 22% of shareholders' funds
- ☐ Net interest covered 2.6 times by net rental income

Report and Accounts available from the Secretary
LONDON MERCHANT SECURITIES plc
CARLTON HOUSE, 33 ROBERT ADAM STREET, LONDON W1M 5AH

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Supply fears push European prices to new lows

By Conner Middelmann in London and Frank McGurty in New York

Bears continued to ravage the market yesterday, pushing government bond prices in several European markets to new lows for this year in volatile trading.

The overnight fall in US Treasuries got European bonds off to a weak start. Moreover, supply fears continue to overhang the markets, where sellers and issuers continue to outnumber buyers.

"At the moment it is all about supply," says Mr Kirit Shah, international bond strategist at First Chicago. "Supply from bulls who didn't sell earlier on, supply from governments and now from emerging economies and corporates into the economic recovery."

Although he says bonds are in for a correction, he expects supply pressures to cap the upside. "We could have a bounce, but don't expect any firework rallies," he warned.

■ UK gilts fell sharply at the open, pressured by weakness in the US. The short end of the yield curve came under further pressure from Wednesday's statements by Bank of England governor Mr Eddie George, which were seen to prepare the ground for a pre-emptive interest-rate increase.

GOVERNMENT BONDS

The long end of the yield curve outperformed the short end on hopes that tight monetary policy would curb future inflation, but weakened on the day. The 8¾ per cent gilt due 2017 fell by ⅞ to 102¼.

This dampened expectations that the Bank of England today will announce an ultra-long-dated gilt auction, a hope which has buzzed around the market in recent days.

"Today's sell-off makes it less likely they'll fund at the long end," said Mr Ifty Islam, fixed income strategist at Merrill Lynch, who says another floating-rate issue is possible.

■ German bunds fell to a new low in the futures market, but recouped most of the losses in late short-covering to end only slightly lower. However, the mood remains fragile and dealers expect further volatility.

■ French bonds fell sharply, causing the 10-year French yield spread over German bonds to jump to 53 basis points, from 43 basis points on Wednesday.

The Bank of France's latest 10 basis point cut in its intervention rate to 5.2 per cent lent little support, having been widely expected. Meanwhile, although the Treasury's latest auction of two and five-year notes went relatively smoothly, much of it was seen to have ended on traders' books.

■ Southern European markets were again badly hit by budget worries in Italy, political jitters in Spain and a Portuguese bond auction where the average yield soared by 125 basis points from the previous auction in late May.

■ US bond prices see-sawed yesterday morning as the Treasury debt market encountered mixed economic news.

By midday, the benchmark 30-year government bond was unchanged at 86⅝, with the yield steady at 7.388 per cent. At the short end, the two-year note held at 100⅛, to yield 5.822 per cent.

With the market reeling from a sharp rise in the price of crude oil and other commodities the previous afternoon, traders were greeted yesterday morning by fresh signs that the economy was accelerating.

The Commerce Department reported that housing starts last month had risen by 2.6 per cent, a big surprise for a market expecting a 0.8 per cent decline. The data suggested the recent tightening of monetary policy has so far failed to constrain the rate-sensitive construction industry.

The impression of robust growth was reinforced by the weekly report on initial claims for unemployment benefit, which provides the most up to date snapshot of the economy's overall strength. Yesterday, it showed 11,000 fewer people had made claims last week than during the previous seven days.

While the two reports were not especially important by themselves, they did nothing to dispel the sense of confusion reigning in the debt markets. Recent data, taken as a whole, has not painted a convincing picture, either favourable or unfavourable, to lead bonds out of their current trading range.

The same was true of the monthly survey of business conditions issued by the Federal Reserve Bank of Philadelphia later in the morning. But the mixed signals it conveyed were at least enough to trigger a reversal in the market's two-day decline.

The shift came with the 30-year issue approaching the 7.50 per cent level, a critical level of support. Traders apparently seized on a big drop in the Philadelphia survey's current employment index as an excuse to begin buying again.

By early afternoon, bonds had retraced all of their earlier losses and appeared to be poised for a move higher.

Dublin opening for Finex Europe

By Tracy Corrigan

Finex, the currency futures arm of the New York Cotton Exchange, today opens Finex Europe at the new Dublin Exchange Facility in the International Financial Services Centre.

Finex Europe will trade Finex's existing US dollar index futures. In addition, both floors today start trading sterling/D-Mark, D-Mark/French franc, and dollar/D-Mark futures around the clock, in Dublin and New York.

Allied Irish Bank, Bank of Ireland and Ulster Bank will act as marketmakers in Dublin, while Nationsbank will make a market from London.

So far, Finex has sold 90 permits for trading and broking rights in Dublin for $10,000 each. Initially, there will be about 15 floor brokers and five "locals" or independent traders in the pit in Dublin.

According to Mr Peter Burton, director of product development at Finex, D-Mark/Swedish krona, D-Mark/lira and D-Mark/yen futures will be phased in over the next few weeks, and other products may be added later.

"[Finex Europe] has a lot of potential," according Ms Mary Fischer, a foreign exchange trader at Nationsbank CRT. "The push is towards European hedge funds."

Finex's foreign exchange contracts in New York are mainly traded by US hedge fund and futures fund managers such as Mr Paul Tudor Jones, NYCE chairman, who will open trading in Dublin at 11.05am. However, some observers are sceptical about the amount of interest that will be drummed up in Europe, given the small number of speculative funds relative to the US market. They fear that the new floor will have to rely on existing US clients.

However, because of the low set-up cost of the Dublin floor, the operation does not require heavy volume to make money.

"We have been trying to figure out a reasonable projection," said Mr Burton. "A thousand contracts a day is break-even, and we hope to achieve that within a few months."

Ontario targets Japanese investors with Y100bn issue

By Antonia Sharpe

The Province of Ontario achieved a minor feat yesterday, in view of current market conditions, when its Y100bn offering of seven-year bonds put it well ahead of its funding programme for the current year.

According to joint lead manager Daiwa, Ontario has now raised C$4bn of its borrowing requirement of C$7.7bn for 1994, although the province also expects to pre-borrow a further C$2bn to C$3bn for next year.

The offering was launched during Tokyo's trading day since the bonds were targeted mainly at Japanese investors, who were attracted by the 4.40 per cent coupon.

Syndicate managers said that the pricing of the bonds was aggressive when compared with other euroyen deals.

For example, Italy's seven-year bonds were trading at a yield spread of around 35 to 40 basis points over Japanese government bonds.

INTERNATIONAL BONDS

However, they pointed out that Japanese investors looked at coupon levels rather than yield spreads when they made investment decisions.

When the bonds were freed to trade, the spread was unchanged.

There was talk in the market that most of the orders for Ontario's bonds went to the joint lead managers – so much so that members of the syndicate resorted to selling their allocations back to them.

There were also reports that a similar situation had occurred shortly after the launch of the Kingdom of Belgium's long-awaited $500m offering of five-year eurobonds, the other main deal of the day.

The pricing of Belgium's bonds, at 24 basis points over the when-issued five-year Treasury, was widely regarded as spot on.

When the bonds started to trade, the spread was unchanged despite the volatility in the underlying Treasury market.

The market is gearing up for Fannie Mae's first global bond offering, which is scheduled to be launched next Wednesday.

Joint lead managers J. P. Morgan and Merrill Lynch held a conference call with syndicate members late yesterday afternoon.

The offering is widely expected to raise up to $1.5bn, have a 10-year maturity and be priced to yield around 25 basis points over Treasuries.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Kingdom of Belgium	500	7.00	99.795R	Jul.1999	0.25R	+24 (WI 5yr)	UBS
SE Banken‡	300	(a)	99.826R	Jul.1997	0.1875R	-	Morgan Stanley Intl.
Guangdong Enterprises(Hldgs)‡‡	150	(b)	100.00R	Jun.1999	0.30R	-	Comm.Bk.Korea/Nomura(HK)
Sparekassen Bikuben(c)‡	100	(d)	99.00R	Jul.2004	0.72R	-	Chemical Inv'ment Bank
FAI Insurances★	100	(e)	(e)R	Jul.1999	1.00R	(e) (WI 5yr)	Merrill Lynch International
Central Costanera(f)‡	50	(g)	100.00R	Jun.1997	0.75R	-	Chase Investment Bank
YEN							
Province of Ontario(h)	100bn	4.40#	99.80R	Jun.2001	0.30R	+25(JGB 140)	Daiwa/Goldman Sachs Intl.
SBAB	10bn	3.00	100.19R	Jul.1996	0.15R	-	Nomura International
FRENCH FRANCS							
Titrimmo 06 94(i,j)	1.5bn	7.10	98.94R	May.2002	0.30R	+67 (8½%-03)	Bear Stearns/Crdt.Lyonnais
Titrimmo 06 94(i,k)	500	7.90	97.41R	May.2005	0.50R	+90 (6¾%-04)	Bear Stearns/Crdt.Lyonnais
ITALIAN LIRE							
Pirelli(l)★★§	306bn	5.00	(l)	Dec.1998	2.50	-	Paribas Capital Markets
European Investment Bank‡	300bn	(h,m)	99.95	Sep.1999	0.20	-	San Paolo, Turin
SWISS FRANCS							
Toyota Motor Credit Corp.★★	100	5.50	102.00	Jul.1997	standard	-	Merrill Lynch Capl.Mkts.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★★Private placement. ★Unlisted. §Convertible. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) 3-mth Libor +⅛%. b) 6-mth Libor +2%. c) Callable on coupon dates from Jul.01 at par. d) 3-mth Libor +1¼% for 1st 7 yrs and +3% thereafter. e) Priced today at 280-290bps over Treasuries. f) Callable on 30/6/96 at 100¼%. g) 3-mth Libor +3.3%. h) Short 1st coupon. i) Amortising deal. Quarterly coupons. j) Tranche A. Average life: 3.8 yrs. k) Tranche B. Average life: 10 yrs. Cleanup call at 10%. l) Shareholder selling its entitlement to prorata rights issue. Issue price: L2685. Conv ratio: 1 for 1. Callable from 1/1/98 at L2600. m) 3-mth Libor +½%; max 11.1%. 1st coupon: 6½% annualised.

Pemex to issue samurai bonds

Pemex, the Mexican state oil company, is to issue Y20bn of samurai bonds next month to raise money for factory expansion, company officials said, AP-DJ reports from New York.

The issue, which will be lead-managed by Daiwa Securities, will be Pemex's first and Latin America's largest samurai bond issue. Pemex made a US dollar-denominated bond issue earlier this year. The latest funding will be used to finance equipment to process crude oil and petrochemical products.

Hong Kong to cut stamp duty

The Hong Kong government is to reduce stamp duties on stock borrowing and lending to encourage a more active market, Reuter reports from Hong Kong. The duties are said to have discouraged short-selling in the stock market.

At present, duties are payable on stocks borrowed for periods exceeding 14 days. The duty-free period will be extended to 12 months. No date has been set for the reforms but they are expected to be implemented soon, a government spokesman said.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	96.0800	-4.960	9.61	8.85	8.46
Belgium		7.250	04/04	94.3000	-0.900	8.11	7.81	7.38
Canada *		6.500	06/04	83.1000	-0.350	9.12	8.86	8.25
Denmark		7.000	12/04	90.7000	-1.700	8.36	7.97	7.19
France	BTAN	8.000	05/98	103.3750	-0.500	6.97	6.68	6.00
	OAT	5.500	04/04	85.5800	-0.520	7.63	7.30	6.68
Germany		6.750	05/04	98.9700	-0.450	7.19	6.96	6.51
Italy		8.500	01/04	87.6800	-1.730	10.58†	9.83	9.10
Japan	No 119	4.800	06/99	105.4100	-	3.53	3.50	3.15
	No 164	4.100	12/03	99.3880	+0.070	4.19	4.19	3.73
Netherlands		5.750	01/04	89.9600	-0.380	7.23	7.04	6.54
Spain		10.500	10/03	99.9000	-1.020	10.50	9.92	9.40
UK Gilts		6.000	08/99	90-24	-19/32	8.24	8.07	7.43
		6.750	11/04	87-07	-25/32	8.63	8.41	7.80
		9.000	10/08	102-27	-28/32	8.65	8.46	7.92
US Treasury *		7.250	05/04	101-01	-22/32	7.10	6.98	7.06
		6.250	08/23	86-10	-27/32	7.40	7.30	7.29
ECU (French Govt)		6.000	04/04	85.9600	-1.110	8.12	7.83	7.07

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
		One month	3.98	Two year	5.87
Prime rate	7¼	Two month	4.14	Three year	6.22
Broker loan rate	5½	Three month	4.24	Five year	6.71
Fed.funds	4¼	Six month	4.67	10-year	7.17
Fed.funds at intervention	-	One year	5.19	30-year	7.45

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	114.26	114.02	-1.38	114.44	113.96	295,865	122,588
Dec	113.38	113.12	-1.38	113.40	113.18	851	9,114
Mar	112.56	112.32	-1.38	112.66	112.56	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jul	Calls Sep	Calls Dec	Puts Jul	Puts Sep	Puts Dec
115	0.66	1.69	-	1.62	2.60	-
116	0.40	1.28	-	2.25	3.07	-
117	0.19	0.87	-	3.06	3.71	-
118	0.07	0.64	-	3.95	4.37	-
119	-	0.38	0.60	-	5.17	-

Est. vol. total, Calls 28,658 Puts 169,935. Previous day's open int., Calls 303,990 Puts 294,989.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.12	91.27	-0.53	91.48	90.80	206199	141448
Dec	90.60	90.64	-0.63	90.70	90.40	1680	842

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
9100	0.78	1.41	1.66	1.83	0.51	1.14	1.41	2.19
9150	0.52	1.14	1.42	1.61	0.75	1.37	1.65	2.47
9200	0.32	0.94	1.17	1.40	1.05	1.67	1.90	2.76

Est. vol. total, Calls 24949 Puts 42448. Previous day's open int., Calls 193004 Puts 157381

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	97.30	-0.43	-	-	9730	76

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	103.90	102.50	-2.22	103.90	102.27	63159	82916
Dec	-	101.45	-2.22	-	-	0	100

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
10250	2.35	2.89	2.35	3.94
10300	2.10	2.68	2.60	4.23
10350	1.86	2.48	2.86	4.53

Est. vol. total, Calls 2861 Puts 2888. Previous day's open int., Calls 22415 Puts 18447

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	90.20	89.75	-1.54	90.40	89.50	67,774	90,288
Dec	89.75	88.96	-2.80	89.75	89.75	1	2

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	101-04	101-05	-0-28	101-10	100-23	1576	11733
Sep	100-00	99-29	-0-28	100-11	99-10	66120	116304
Dec	-	98-29	-0-28	-	-	0	67

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
99	2-56	3-08	1-62	3-14
100	2-21	2-43	2-27	3-49
101	1-65	2-17	2-61	4-23

Est. vol. total, Calls 1355 Puts 1645. Previous day's open int., Calls 51012 Puts 35812

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	82.14	82.30	-1.12	82.50	82.06	787	6,399
Dec	-	-	-	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	104-14	104-04	-0-10	104-20	104-01	6,514	37,365
Sep	103-16	103-04	-0-12	103-21	103-02	441,788	333,030
Dec	102-28	102-16	-0-11	103-00	102-13	723	38,411

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	110.30	-	-	110.40	109.75	4217	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thur Jun 16	Day's change %	Wed Jun 15	Accrued interest	xd adj. ytd		Low coupon yield Jun 16	Jun 15	Yr. ago	Medium coupon yield Jun 16	Jun 15	Yr. ago	High coupon yield Jun 16	Jun 15	Yr. ago
1 Up to 5 years (24)	120.96	-0.48	121.55	1.60	5.47	5 yrs	8.36	8.16	7.10	8.56	8.37	7.31	8.67	8.46	7.49
2 5-15 years (22)	138.73	-0.91	140.01	1.74	6.42	15 yrs	8.57	8.46	7.86	8.71	8.57	8.24	8.97	8.89	8.49
3 Over 15 years (9)	155.59	-1.00	157.16	2.60	5.25	20 yrs	8.52	8.42	8.06	8.71	8.57	8.35	8.79	8.72	8.53
4 Irredeemables (6)	175.19	-0.82	176.64	1.62	6.36	Irred.†	8.62	8.54	8.41						
5 All stocks (61)	136.79	-0.79	137.88	1.84	5.95										

Index-linked							Inflation 5% Jun 16	Jun 15	Yr. ago	Inflation 10% Jun 16	Jun 15	Yr. ago
6 Up to 5 years (2)	185.75	-0.16	186.05	1.04	2.53	Up to 5 yrs	3.78	3.71	3.00	2.70	2.62	2.31
7 Over 5 years (11)	171.59	-0.79	172.94	0.87	2.30	Over 5 yrs	3.89	3.83	3.55	3.69	3.63	3.38
8 All stocks (13)	172.17	-0.72	173.42	0.88	2.31							

Debentures and Loans						5 year yield Jun 16	Jun 15	Yr. ago	15 year yield Jun 16	Jun 15	Yr. ago	25 year yield Jun 16	Jun 15	Yr. ago
9 Debs & Loans (76)	126.80	-0.92	127.98	2.35	5.27	9.79	9.68	8.82	9.71	9.61	9.22	9.64	9.53	9.38

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	June 16	June 15	June 14	June 13	June 10	Yr ago	High*	Low*
Govt. Secs. (UK)	91.60	92.38	91.96	91.98	92.92	95.95	107.04	91.04
Fixed Interest	108.73	109.12	108.62	109.39	110.27	112.47	133.87	108.62

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	June 15	June 14	June 13	June 10	June 9
Gilt Edged bargains	102.9	117.6	105.0	92.7	115.0
5-day average	105.5	102.9	98.9	94.5	98.9

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
Shorts" (Lives up to Five Years)						
Treas. 10pc Ln. 1994‡‡	10.00	-	100	-	102⅛	100
Exch 12½pc 1994	12.45	5.06	100⅜	-1⅛	104⅞	100⅜
Treas 9pc 1994‡‡	8.86	6.21	101⅞	-⅛	103⅞	101⅞
12pc 1995	11.54	5.26	104	-¼	107⅛	104
[illegible]						

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
10pc 2003	9.36	8.87	106⅞	-1⅛	127⅛	105⅞
Treas 11½pc 2001-4	10.26	9.03	112⅛	-⅞	128⅞	111¼
Funding 3½pc '99-4	4.80	7.70	72⅞xd	-⅝	86⅛	71⅛
Conversion 9½pc 2004	9.09	8.87	104⅞	-⅞	125⅛	103⅛
Treas 6¾pc 2004‡‡	7.74	8.62	[illegible]			
[illegible]						

Index-Linked Notes	(1)	(2)	Price £	+ or –	1994 High	1994 Low
2pc '96 (67.9)	2.80	3.85	198⅞	-¼	203⅝	197⅞
4⅝pc '98‡‡ (135.6)	2.82	3.82	107¼	-⅞	113⅛	106⅛
2½pc '01 (78.3)	3.34	3.77	165	-⅞	176⅜	164⅞
[illegible]						

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on June 16

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	92¼	92½	-¼	7.73
Alberta Province 7⅝ 98	1000	102	102¼	-⅛	7.06
Austria 8½ 00	400	105⅞	106¼	-⅝	7.18
Bank of Tokyo 8⅜ 96	100	102¾	103½	-½	6.67
Belgium 5½ 03	1000	86⅛	86⅜	-⅝	7.62
[illegible]					
United Kingdom 7¼ 97	5500	102	102	-¼	6.43
Volkswagen Intl Fin 7 03	1000	96⅞	97⅛	-½	7.53
World Bank 0 15	2000	20¾	21⅛	-1	7.56
World Bank 5⅞ 03	3000	90⅞	90½	-⅝	7.32
World Bank 8⅝ 00	1250	109⅛	109⅝	-¾	6.80
SWISS FRANC STRAIGHTS					
[illegible]					
Abbey Natl Treasury 8 03 £	1000	92	92¼	-¼	9.37
Alliance Leics 11⅜ 97 £	100	108¼	108⅝	-⅛	8.05
British Land 8⅞ 23 £	150	87¼	87½	-⅛	10.53
Denmark 6¾ 98 £	800	94⅛	94⅜	-⅝	8.46
EIB 10 97 £	637	105	105⅝	-½	7.79
Halifax 10⅜ 97 £	100	105½	106	-½	8.01
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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Hardware side moves into Europe with £25.8m castors purchase

Materials handling boosts FKI

By David Blackwell

FKI, the electrical engineering and electronic components group, yesterday announced a 38 per cent rise in profits and the acquisition of Rhombus, a German castor manufacturer, for £25.8m.

Pre-tax profits increased from £38m to £52.3m. Turnover advanced 5 per cent, from £756.1m to £794.5m, including a contribution of £46.8m from acquisitions. Mr Bob Beeston, chief executive, said the group had done everything it had set out to do during the year, raising margins on steady turnover.

Nevertheless, the share price closed 9½p down at 163½p.

Rhombus is being acquired from Albert Schulte Söhne for £5.4m cash and the assumption of £20.4m of debt. Mr Beeston said it would take FKI's hardware division into Europe for the first time, complementing Faultless Caster which is the market leader in North America with a 21 per cent share.

The German company has 15 per cent of the European market, with a modern factory in Wermelskirchen and another in Malaysia. Customers include makers of shopping trolleys, hospital beds, and home and office furniture.

It is not expected to make a contribution to FKI's profits until next year.

Trevor Humphries

Bob Beeston, left and Eric Bowers: did everything they set out to do during the year, raising margins on steady turnover

FKI operates through five divisions – hardware, materials handling, automotive, engineering and process control. Profits increased in all five, with materials handling the outstanding performer. Profits in the division rose from £8.5m to £17.5m on turnover of £176.9m (£173.3m).

Both the materials handling and the automotive divisions benefited from the improvement in the US automotive sector. The automotive division lifted profits from £2.4m to £4.6m on turnover of £171.7m (£152.4m).

The hardware division made profits of £20.3m (£16.1m) on sales of £172.1m (£132.6m), helped by the £66.5m acquisition of Truth, the US manufacturer of hinges, operating and locking mechanisms for windows and doors, last November.

Engineering profits edged ahead to £10.7m (£10.5m) on turnover of £97.6m (£100.8m), while process control profits were £7.3m (£5.2m) on sales of £176.2m (£161.4m).

Mr Eric Bowers, finance director, said that margins had improved from 5.9 per cent to 7.6 per cent, with margins of 8.7 per cent in the second half. Gearing was 50 per cent at the end of the year, but would reach 60 per cent with the acquisition of Rhombus.

Earnings per share rose from 6.2p to 8.22p. A final dividend of 2.2p is proposed, giving a total for the year of 3.7p (3p).

● **COMMENT**

The constant emphasis on margins and the reluctance to push for revenue growth at any price has certainly paid dividends. It has to be asked whether the rate of growth can be maintained. However, this year Truth should kick in strongly, and the following year the latest acquisition will be adding to the bottom line. Pre-tax profits of £68m this year give a prospective multiple of 16. It looks as though high expectations of the current management have been fully reflected in the share price, and yesterday saw some profit taking.

Tax credit and lower minorities aid LMS

By Vanessa Houlder, Property Correspondent

London Merchant Securities, the property and investment company, suffered a 20 per cent fall in profits at the pre-tax level in the year to March 31 from £27.8m to £22.3m.

However, a tax credit of £569,000 (£8.53m charge) and a £500,000 reduction in minority interests to £2.03m resulted in a net profit of £20.8m, up 24 per cent from £16.8m last time.

Shareholders' funds were 24 per cent higher at £319.2m (£258.2m), excluding the £33m by which the market value of listed investments exceeded the balance sheet figures.

The company's properties increased in value by 16 per cent to £379.8m, adjusted for sales and acquisitions.

Lord Rayne, chairman, said that there was a "perceptible" increase in tenant interest. "Although this fragile recovery appears to be progressing, creative investment possibilities with significant growth potential remain rare, but efforts continue to be focused on identifying suitable opportunities," he said.

LMS said a number of unusual factors had contributed to the results.

Gains from property disposals and venture capital investments, together with the release of prior years' provisions for corporation tax, more than offset the £2.7m negative effect of ceasing to treat First Leisure Corporation as an associated undertaking; the non-recurrence of the British Sky Broadcasting Holdings guarantee fee received in 1993 (£2.8m); and the fall in interest income from the group's cash resources of £2.7m.

The associated undertakings, which last time produced an attributable pre-tax profit of £4.43m, had incurred a pre-tax loss of £631,000.

The main reason was the change in treatment of First Leisure Corporation because LMS's holding fell below 15 per cent.

Cullen's Holdings, in which LMS has a 25.5 per cent stake, suffered a loss of £158,000 (£102,000 profit). Golden Rose Communications, in which it has a 40.5 per cent stake, incurred an increased loss of £473m (£349m).

US venture capital investments produced gains of £4m, despite the varying fortunes of the individual enterprises.

Net rental income from investment property increased from £29.5m to £30m. LMS made a net gain on property disposals of £6.2m in 1994, compared with £2.24m.

Cash and listed securities totalled £190m on March 31; net borrowings amounted to £70.7m, making gearing 22 per cent of shareholders' funds.

LMS has completed its Strathkelvin Retail Park in Scotland. It has started a retail development in California for a 29,000 sq ft store near San Francisco.

Earnings per share increased from 7p to 8.59p. The dividend is increased by 0.2p to 4.2p via a 3.4p final.

Acquisitions help AAH advance 13% to £42m

By Peggy Hollinger

Acquisitions and a buoyant drugs market helped AAH, the pharmaceuticals distribution group, increase pre-tax profits by 13 per cent to £42m in the year to March 31.

The outcome, struck on sales ahead 14 per cent to £1.6bn, were also helped by a net £2m exceptional gain arising from the disposal of the builders' supplies division. The £7.1m profit on disposal was reduced by a £5m charge for rationalising the wholesale drugs business.

Mr Bill Revell, chief executive, said 1993-94 had been a difficult year in spite of the 4 per cent increase in the overall prescription market.

The healthcare division had faced tough competition and an increasing government squeeze on prescription drug prices. Delays in accrediting AAH's computer systems programme for local doctors had also hit profits.

The group had taken steps to improve the efficiency of wholesaling, including reducing distribution outlets and upgrading technology. This programme would be accelerated in the current year, Mr Revell said, and paid for with the £5m restructuring charge.

Operating profits were ahead 13 per cent in the UK wholesaling division to £24.8m. Net margins improved by 0.2 points to 2.3 per cent.

Cahill May Roberts, the Irish drugs distribution business, contributed £3.9m in operating profits, against £1.7m last time, in its first full year with AAH.

AAH expanded its retail pharmacy business with the acquisition of 77 outlets for £27m. Operating profits were up 30 per cent at £7.3m on sales almost doubled from £58.9m to £104.6m. Mr Revell said AAH intended to focus on the growing over-the-counter market, in spite of competition from supermarkets and drug store chains.

The proposed final dividend was 11.9p for a total 3.5 per cent higher at 17.9p.

Earnings per share were up 6 per cent to 34.8p. After adjusting for the exceptional items, earning fell by 5 per cent to 31.1p.

● **COMMENT**

This was a year of continuing disappointments for AAH, leading to downward revisions in profits forecasts as the year progressed. AAH met expectations in the end, but investors are likely to remain wary until the latest actions begin to bear fruit. In its favour is the growing demand for drugs and AAH's market position. Forecasts are for £45.5m. The shares, which fell 10p to 449p on the results, are trading on a prospective p/e of about 13 times. AAH appears to be undervalued, but it is too early to say much more.

Hardy to cut back North Sea drilling programme

By Peggy Hollinger

Hardy Oil & Gas, the independent explorer, yesterday said it was cutting back its North Sea drilling programme as it announced an 18 per cent drop in net profits to £8.3m following UK tax changes.

Mr Douglas Baker, chairman, said priority would be given to the appraisal of finds awaiting development. The decision was taken following the government's decision to eliminate tax shelters for drilling activity at the end of this year.

Mr Baker said Hardy had returned a creditable performance, in spite of weak oil prices. Pre-tax profits had jumped by 56 per cent to £5.2m. North American gas prices had remained strong. About 67 per cent of Hardy's production is comprised of gas.

Mr Baker said the current year would be difficult for the whole industry. He was confident, however, that Hardy would be able to weather the problems associated with weak oil prices. "The group has major developments in hand or in prospect, spread across a number of countries," he said. North America, in particular, would show a steady increase in production. Hardy also enjoyed a strong financial position after last year's £29m rights issue and its policy of non-recourse funding for new developments.

Turnover for the year to March 31 rose by 20 per cent to £60.6m. Operating profits were 29 per cent higher at £12.9m. Earnings per share fell by 28 per cent to 7.8p (10.9p) and the dividend is maintained at 1p.

Safeland improves to £925,000

Safeland, the property investment and trading company, reported pre-tax profits up from a restated £156,000 to £925,000 in the year to the end of March.

There was a further acquisition under the facilities agreed with Norwich Union. The group is paying £610,000 for a retail property in Cambridgeshire, with gross rental income of £75,000.

Turnover was static at £13.8m. Earnings per share were 2.93p (0.49p) and a final dividend of 0.79p makes a total of 1.39p (0.5p).

The company is ultimately controlled by Safeland Holdings Corporation of Panama.

Exceptional charge for Allied Leisure

Shares in Allied Leisure fell 2p to 25p yesterday after the nightclub and ten-pin bowling group said that an exceptional charge of £500,000 relating to the year ended July 16 1993 would be included in its results for the current year.

In June 1993 the company received £500,000 following a trading arrangement with a supplier which was treated as income in the accounts.

However, the company said it had subsequently become apparent that the receipt was a loan and accordingly it was necessary to include it as a charge in the current year's accounts.

Also, in its interim results statement for the 24 weeks to January 2, when the company reported a pre-tax loss of £16.1m, the company said it was in breach of its banking covenants. Since then it has entered into a formal standstill agreement on capital repayments and a continuation of banking facilities has been agreed until September 19 1994.

Allied said the agreement would enable it to continue its negotiations regarding possible disposals and on a wider range of strategic options.

In order to aid the negotiations and the financial restructuring the company is bringing forward its year-end to June 19.

Rise in direct activity helps Bradstock

Bradstock, the insurance broker, yesterday reported a 5 per cent increase in pre-tax profits from £4.57m to £4.81m in the six months to March 31 1994, writes Richard Lapper.

Earnings per share increased to 5.35p (5.32p) and the interim dividend is raised by 3 per cent to 1.6p (1.55p).

Turnover, including income from acquisitions, amounted to £16.2m, against £14.4m, and administrative expenses rose to £12.6m (£11.3m). Investment and other income fell to £1.19m (£1.48m).

A 24 per cent increase in income from direct insurance helped offset a decline in reinsurance business.

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Enlarged Protean rises 32% and expects further growth

By David Blackwell

Protean, the laboratory equipment and water purification company, lifted pre-tax profits by 32 per cent from £4.08m to £5.39m for the year ending March 31.

Mr Peter Ryan, chairman, said the company had had a good year in spite of recession and tough times, not only in the UK, but in other markets. The return on sales had increased from 12.3 per cent to 13.1 per cent, "and I see no reason why we should not continue to grow".

Turnover rose from £33.6m to £42.2m, including £3.18m from Techne and LIP, two complementary companies acquired in December. The acquisitions also contributed £552,000 to profits. Mr Ryan commented: "So far every acquisition we have made has been successful."

The group now comprises 16 companies operating in four countries. Overseas sales accounted for 51.5 per cent of turnover, up from a previous 48.8 per cent.

The water purification side accounted for 57 per cent of turnover and 41 per cent of total operating profits of £5.53m. The laboratory water products side did particularly well, gaining market share in spite of market weakness.

Capital expenditure rose from £324,000 to £1.77m, mainly reflecting the £1.75m new factory in Derbyshire for making furnaces and ovens opened last August.

Earnings per share rose from 10.44p to 12.92p.

A final dividend of 3.7p (2.65p) is proposed, taking the total for the year to 4.75p (3.55p).

Slough offer for Bredero to fail

Slough Estates' privatisation offer for Bredero closed today with few expectations for success. Slough already owns close to 50 per cent of the troubled property developer, but the offer is conditional upon 90 per cent acceptance, and it will not achieve this.

British Land last week acquired 6.9 per cent of the company, and a number of other shareholders, amounting to a total of more than 25 per cent, have indicated that they will not accept.

Rea Brothers shares fall on bonds warning

By Simon Davies

Shares in Rea Brothers, the private banking group, yesterday fell 13p to 62p after the company issued a profits warning, indicating substantial interim losses against the value of its £7m fixed interest securities portfolio.

The company said that its core businesses had recorded profits "in excess of £1m". But given the sharp decline in the price of medium-term bonds, this would be reduced by up to £700,000 of unrealised losses from its bond portfolio.

Kleinwort Benson, the house broker, has reduced its forecast for the year from £2.2m to £1.5m, and interim profits of less than £500,000 (£802,000) are expected.

Nevertheless, Rea maintains a strong balance sheet, with shareholders funds of £23m, and its banking, corporate finance and fund management businesses continue to show earnings growth.

From airwaves to across the waves

By David Wighton

It has been a busy and expensive week for Emap. On Monday it announced plans to make a bid for local radio group Trans World Communications which would see it pay about £50m for the 70 per cent it does not already own.

Then yesterday the media and exhibitions group announced it faced a likely bill of over £108m after a shopping spree in France's magazine market.

Emap intends to fund the acquisitions with debt, pushing its gearing to a level that would usually raise City eyebrows.

Although it will take the French magazine titles on to its balance sheet at cost it is unlikely to do so with Trans World's radio licences, which have a fixed term. The resulting goodwill write-off would leave it with gearing of about 100 per cent at the end of March 1995. In August this year, the low point of its cash-flow cycle, the figure will be higher still.

But Mr Neil Blackley, media analyst at Goldman Sachs, said that gearing was "totally irrelevant" for Emap and pointed to likely interest cover of seven times this year.

"This should prove a very good long-term deal for Emap although it will be dilutive this year," said Mr Blackley who has trimmed his current year forecast from £56.5m to £55m.

The main acquisition, Editions Mondiales, reported pre-tax profits of £2.4m for 1993 on turnover, after discounts, of about £111m. Its accounts were qualified by the auditors but Emap said this related to goodwill write-offs and unspecified rationalisation costs which were irrelevant to its valuation of the business.

About 40 per cent of turnover comes from Télé Poche, one of France's top five TV listings magazines. It is also strong in the women's, outdoor pursuits and motoring sectors where Emap has similar titles in the UK.

The acquisitions, which together employ some 800 people in Paris, will come under the control of Mr Kevin Hand, chief executive of Emap's consumer magazines division.

Siemens buys 51% of BTR offshoot

By Kevin Done, Motor Industry Correspondent

Siemens, the German engineering group, has acquired a 51 per cent stake in Dunlop Automotive Composites from BTR as part of its strategy to expand in the automotive components sector.

The venture was formed in 1989 by BTR and the electrical and fuel handling division of Ford in order to market composite components for automotive engines using Dunlop's lost-core moulding process.

It has a workforce of 165 based in Telford, Shropshire, and will operate as Siemens Automotive Systems.

Siemens said that it expected the business to lift sales from £8m last year to about £35m by 1999, leading to the creation of an additional 150 jobs. It aimed to become a leading international supplier in the growing market for composite intake manifolds for engines.

The UK subsidiary will operate as part of the Siemens Automotive group's integrated air fuel systems business based in Ontario, Canada.

Chrysalis

Friday Productions has asked us to point out that they and not Bentley Productions produced the drama series Harnessing Peacocks for Meridian Broadcasting. Mr Brian True-May of Bentley was production supervisor on the series.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
AAH ....fin	11.9†	Oct 3	11.5	17.9	17.3
Adare Printing ....fin	1.042‡	-	0.992	1.987	1.892
Alvis ....int	0.5	Oct 3	0.5	-	1
Bradstock ....int	1.6†	Sept 27	1.55	-	5.5
Brockhampton ....fin	7.5	Sept 1	5.3	10.5	7.8
Chester Water ....fin	170	July 21	150	255	225
Denmans Elect § ....int	2.1	Aug 11	1.9	-	6.4
FKI ....fin	2.2	Oct 3	1.8	3.7	3
Hardy Oil & Gas ....fin	1	Aug 4	1	1	1
Locker (Thomas) ....fin	0.2	July 29	0.65	0.4	1
London Merchant ....fin	3.4	Aug 27	3.2	4.2	4
Moorgate Smaller........fin	2.48	July 25	2.48	4.28	4.28
Penna § ....fin	3	July 20	7	4	10
Porter Chadburn ....fin	nil	-	0.4	nil	1.25
Protean ....fin	3.7†	July 29	2.7	4.75	3.6
RCO ....int	4.95	Sept 26	4.95	-	15.2
Safeland ....fin	0.79†	Sept 7	0.44	1.39	0.5
Smith New Court ....fin	8†	Aug 27	5	10	8
Southern Water ....fin	15.4	Oct 3	14.2	23.1	21.3
Swalec ....fin	18.1	Aug 19	15.7	25.6	22.3
Ugland Intl ....fin	0.74	Oct 3	-	0.74	-

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Irish pence.

Southern Water buoyant with 7% advance

By Peggy Hollinger

Southern Water was in buoyant mood yesterday as it reported a 7 per cent increase in annual pre-tax profits to £127.5m, against £119.2m, and gave an encouraging report on the capital intensive coastal clean-up programme.

Mr Martyn Webster, managing director, said Southern had made excellent progress in its Operation Seaclean project, in spite of several surprising and uncontrollable variables: seagulls, for example. "Two seagulls equals one human, in terms of the polluting effect," Mr Webster said.

Southern finished the year to March 31 with sales 9 per cent higher at £347.7m (£319.2m), helped by a strong performance from the non-regulated businesses.

Mr Webster said the engineering, environmental services, and systems businesses built up since privatisation "are more than paying for themselves".

At the operating level, and after start-up costs, they increased profits by 20 per cent to £10.1m, representing almost 8 per cent of group profits.

Interest gains added a further £2m to profits, on sales up by 14 per cent to £88.1m.

The core utility business returned an 11 per cent increase at the operating level to £123.5m.

Mr Webster said costs had risen by less than 4 per cent in the water and sewerage division. When one-off expenses such as rationalisation and last winter's flooding were excluded, ongoing costs rose by less than 3 per cent.

Unlike most of Southern's colleagues in the water sector, Mr Webster said the group expected to increase the number of employees in both regulated and non-regulated business.

The rapidly expanding non-regulated businesses and the complex capital spending programme would require new types of skills, he said. However, Southern remained committed to cutting costs where possible.

The dividend is raised 8.5 per cent to 23.1p (21.3p) with a recommended final of 15.4p with a scrip alternative.

Earnings, held back by previous scrips, rose just 6 per cent to 70.3p (66.3p) per share.

● COMMENT

Southern was the best performing water stock last year, and yesterday confirmed that support. Net cash of £10m and small underlying cost increases reinforce faith in its cash management. This will be vital in the forthcoming rigorous price regime, when the group will be expected to cope with capital investment of between £1bn and £1.5bn. In the end, everything rests on the spending authorised by Ofwat. Southern's track record may make it attractive relative to the sector, but water stocks in general are likely to languish until price uncertainty is cleared up. Forecasts are for between £135m and £140m pre-tax, with an 8 per cent increase in the dividend to 25p.

Wates launches £31m cash call

By Vanessa Houlder, Property Correspondent

Wates City of London Properties, the only UK property company to hold all its assets in the City of London, yesterday announced a £31m rights issue to allow it to take advantage of the upturn in the City property market.

Wates said the decision to launch the rights, which will help it to carry out developments, retain existing buildings and exploit new opportunities, followed talks with institutional shareholders.

"People take the view that the property cycle is starting again. With these big buildings, you have to start early rather than later," said Mr John Nettleton, joint managing director.

The rights may allow Wates to go ahead with the redevelopment of Winchester House at 100 Old Broad Street, which is expected to start next year.

The money will allow Wates to refinance Vintners' Place, a joint venture with Sumitomo Corporation. The 267,000 sq ft building by the River Thames, which is substantially unlet, is likely to need £10m to £20m of new funds from Wates in 1995.

Wates said that the City rental market has stabilised since the fourth quarter of last year, although "it still remains difficult to achieve substantial lettings on attractive financial terms".

The 2-for-7 rights issue, which involves the issue of 44m new shares at 73p apiece, follows a £24m rights issue last September, which was used to cut borrowings.

The rights issue, which has been underwritten by Morgan Grenfell, has been sub-underwritten by Mercury Asset Management, whose clients hold 9.3 per cent of the company. Brokers to the issue are Cazenove and Warburgs.

The cash call sent Wates' shares down 5p to 75p. It was greeted cautiously by analysts, some of whom are wary about medium term prospects for large new City developments. "The development wheel is already rolling. A lot of stock already has planning permission. Two years out, we could be heading for another oversupply situation," said Mr Marc Gilbard of Goldman Sachs.

Wates said the valuation of one of its buildings at Queen Victoria Street was "significantly lower" than thought last December, after a lower-than-expected rent review.

See Lex

Eurotunnel gets a sinking feeling

The rapidly falling share price is causing concern. Simon Davies and John Ridding report

While an investigation continues into the alleged downward manipulation of Eurotunnel's share price prior to the pricing of its £858m rights issue, market forces have now left the shares at the same depressed level.

With four trading days to go before the issue closes, underwriters remained optimistic of a strong take-up, but the rapidly sliding share price is causing concern.

Eurotunnel shares closed yesterday at 303p, only ½p above their low point for the year, and the take-up of rights shares is likely to fall with any further drop in the share price.

The manipulation investigation by the French stock exchange authorities was sparked by suspicions that underwriters may have forced the share price down before the price was fixed, through short selling, in order to limit their underwriting risk.

"We have no evidence that links the short selling to any of the underwriters," said one of the leading underwriters.

But the underlying assumption behind the manipulation scenario that the share price would reach a higher equilibrium is proving unfounded, and the genuine level of market demand remains in doubt.

The small French shareholders will be a core factor in the take-up, accounting for about 43 per cent of the existing shares. French bankers were yesterday suggesting that those shareholders who had struggled thus far, would take up the tunnel's second rights issue since the tunnel is now opening and the revenues will soon start to flow in.

"In France there will be no problem", says Mr Christian Cambier, the French head of the association for Eurotunnel shareholders. "Investors would have sold out already if they were not going to subscribe, and the price they have to pay to take up their shares is low."

This view was, unsurprisingly, echoed by Mr Jean-Michel Plou, first vice president of Banque Indosuez, which led the underwriting in France.

Nevertheless, brokers said there had been strong selling of both nil paid and ordinary shares in France, and the risk for the underwriters remains.

Given the amount of small shareholders, who traditionally are more likely not to take up rights, underwriters expected between 5 and 10 per cent of shareholders not to take up rights. This would leave a rump of up to 32m new shares.

But once again, news on the progress of the tunnel has not been favourable in winning over investors concerned about the risks of its profit projections.

Stock markets have not significantly improved since the May 26 announcement of the rights issue, and shareholders are being asked to pay up to substantially increase their exposure.

For those original shareholders, who took up the 1990 rights issue, the latest cash call represents 73 per cent of their original investment. This time round, there are no free travel incentives to encourage take-up.

At the current share price, it seems unlikely that underwriters will be left with more than the expected 10 per cent, and this rump will be placed out to institutions.

Colin Beere

Eurostar train: no engineering miracles this time to rescue underwriters if shares sink lower

In the circumstances of a fully sub-underwritten offer, pitched at a reasonable discount to the current share price, this process would be a formality.

Institutions who sub-underwrote the issue, would be expected to take up their share of the placement, rather than be forced to take up underwriting commitments.

In the case of Eurotunnel, this will not be done with any enthusiasm, and if the share price falls further, so will the demand.

A leading UK fund manager added: "It all gets back to who wants to buy the shares, and my sense is that there is just no institutional support." Mr Richard Hannah, analyst at UBS Securities, said: "I would remain cautious about the genuine appetite for shares in the market. At the moment trading is in the hundreds of thousands of shares. It will be different if underwriters are offering many millions of shares."

One underwriter pointed out that in the 1990 rights issue, the share price had sunk closer to the rights issue at the same stage of the offer, but had thence rebounded to gain a 98 per cent take-up. He was optimistic the same would follow this time.

In 1990, however, confidence was restored by the historic, and very timely, meeting of the French and English ends of the tunnel just two days before the issue closed.

This time round, there are no engineering miracles left to rescue underwriters if the share price sinks further before the close.

Regalian returns to the black with £2.75m

By Simon Davies

Regalian, the residential property developer, has returned to profitability after two disastrous years, with £2.75m before tax for the 12 months to March 31, compared with a loss of £83.5m.

It also announced that it had submitted a bid to redevelop the 2.5 acre site of the Royal Brompton Hospital, London, and was looking for other development opportunities in what it sees as an increasingly buoyant market.

During the year debt was reduced from £62m to £13m – it has since fallen to £5m – and the group was able to write back some provisions which enabled it to return to the black.

Some 239 houses and apartments were sold during the year, helping to increase turnover from £57.8m to £63m.

It has sold 19 out of the 20 apartments in Kensington Palace Gardens, London, the ambitious luxury development which had led to about £20m of provisions the previous year.

Overall, about £8.7m of previous provisions for property developments were released, after the company had taken £52.9m of provisions in 1992-93. Mr Bob Perdeaux, finance director, said further write-backs this year were unlikely.

Administrative expenses fell from £4.05m to £2.76m, reflecting lower staff levels, but also a cut in directors' salaries. Interest payments fell to £2.97m (£10.8m).

Regalian has reflected the confidence in the residential market recovery by lining up £20m of new banking facilities to fund expansion.

Mr David Goldstone, chairman, said the company had in place a development programme with "an estimated realisation in excess of £110m," over the next three years.

Planning consent had also been received for a 1.52m sq ft office and residential development in Bishopsbridge, Paddington.

Mr Goldstone said he was confident that it could be sufficiently pre-let to enable Regalian to proceed within "the reasonably near future."

Regalian is currently unable to pay dividends, due to a deficit on its profit and loss account. It plans to seek court approval for a restructuring, which would enable it to pay a final dividend next year.

Inchcape expands activities in China

Inchcape, the motors, marketing and services company, is expanding in China through the acquisition of a motor distributor and the creation of a consumer products joint venture.

For $8m (£5.3m) it is buying 60 per cent of Nanjing Hong Kong Changjiang. It is also taking an 80 per cent stake in Inchcape (Nanjing) Development.

NEWS DIGEST

Costs push loss to £1m at Ugland

Exceptional and non-recurring costs were responsible for raising pre-tax losses at Ugland International, the ship owner, manager and dry dock operator, from £591,000 to £1.23m in the year to March 31.

The results are the first to be reported by the enlarged group since a new management team acquired control last October from Bristol Channel Ship Repairers, which coincided with a £19m rights issue, acquisition and name change.

Costs of £816,000 were for re-opening and upgrading dry dock facilities in Swansea and £171,000 in obtaining a full listing on the Oslo stock exchange. Non-recurring costs of £187,000 were mainly for bridge finance interest.

A maiden final dividend of 0.74p is recommended.

Adare Printing

The acquisition and turning round of Waddington Business Forms enabled Adare Printing Group, the Dublin-based printing company to report pre-tax profits for the year to April 30 almost tripled at I£1.48m (£1.45m), against I£565,000.

Since the year end it has acquired Alexander Pettigrew, which is in the business forms sector, for £835,000 and Label Convertors, a label manufacturer, for £1.17m.

Group sales increased from I£10.7m to I£28.5m, including I£16.1m from acquisitions. Earnings per share were 17.3p (11.56p) and the total dividend is increased to 1.987p (1.892p) with a final of 1.042p.

Thomas Locker

A £2.6m exceptional charge this time left Thomas Locker (Holdings), the general engineering group, with a pre-tax loss of £3.43m for the year ended March 31. This compared with a £421,000 profit previously.

The exceptional comprised a £2.6m provision for losses on disposal of Associated Perforators and Weavers and APW Two, and a £596,000 full provision against the investment in and amounts due from Locker Asia and also for a guarantee in place to a Thailand Bank.

Turnover came to £34.42m (£37.62m) and losses per share were 8.89p (0.42p earnings).

A recommended final dividend of 0.2p (0.65p) makes a total for the year of 0.4p (1p).

Embassy Property

Following a year of change, Embassy Property Group, the development and investment company, reported a pre-tax loss of £852,000 for the year to March 31, against profits of £1.25m.

Just before the end of the period the company completed a complex restructuring together with a £8.7m acquisition and a £3m Chinese investment. Net assets at March 31 were £18.1m.

The company said that prospects were encouraging. Further acquisitions were planned.

Turnover for the year was £9.12m (£11.9m). The pre-tax figure was struck after an exceptional gain on the restructuring of £489,000 (£6.72m) and lower net interest charges of £160,000 (£347,000).

Losses per share were 0.7p, against earnings of 2.3p.

Brockhampton

Brockhampton Holdings, the parent of Portsmouth Water, lifted pre-tax profits by 22 per cent from £4.57m to £5.58m in the year ended March 31. Turnover rose by 8 per cent to £25.7m.

Fully diluted earnings per share climbed from 33.6p to 42p and a recommended final dividend of 7.5p makes a total dividend 40 per cent higher at 10.5p (7.5p).

Osprey Comms

Osprey Communications, the advertising and marketing services group, swung back into the black in the six months to March 31.

Turnover was flat at £12.5m – although last time's total included £7m from discontinued activities – and pre-tax profits amounted to £357,000 against losses of £173,000.

Earnings emerged at 1.18p (losses of 1.29p), but there is again no interim dividend, reflecting "constraints on retained reserves".

RCO

Pre-tax profits at RCO Holdings, a supplier of integrated site support services, fell by 5 per cent from £2.41m to £2.28m in the first half to April 1, as market conditions continued to be unfavourable.

Sales were down 6 per cent at £23.5m (£25m).

The interim dividend is maintained at 4.95p on earnings per share of 13.95p (14.71p).

Chester Water

Chester Water, the statutory water company, reported a 6 per cent decline – from £2.17m to £2.03m – in pre-tax profits in the 12 months to March 31.

The outcome, which came on turnover of £6.02m (£5.64m), was struck after restructuring costs of £159,006 and £40,868 in connection with the periodic review instigated by Ofwat.

Earnings per share dipped to 600.5p (617.7p); a final dividend of 170p brings the total for the year to 255p (225p).

Moorgate Smaller

Moorgate Smaller Companies Income Trust had a net asset value per share of 137.96p at April 30, a 13 per cent rise on the 122.14p of a year earlier.

Net revenue for the year advanced from £2.15m to £3.12m for earnings per share of 4.56p (4.41p). The dividend is held at 4.28p with a proposed unchanged final of 2.48p.

Denmans Electrical

Denmans Electrical, the USM-traded wholesaler, importer and manufacturer of electrical goods and fittings, yesterday reported a 33 per cent advance in interim profits.

On turnover ahead 22 per cent to £24.1m, helped by the acquisition last November of Palmer Riley, pre-tax profits for the six months to March 31 improved from £1.08m to £1.44m.

The interim dividend goes up from 1.9p to 2.1p, payable from earnings per share up 30 per cent to 21.48p (16.53p).

The shares fell 33p to 825p.

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17th June 1994

Swalec achieves 19% improvement to £104m

By David Lascelles, Resources Editor

Swalec, the south Wales electricity utility, aims to maintain a progressive dividend policy whatever the outcome of the review of the electricity distribution business by Prof Stephen Littlechild, the industry regulator.

The company said yesterday that the review was widely expected to reduce profits throughout the electricity sector. But Swalec was confident that its cost-cutting and diversification policy was correct.

The results of the review are due later this summer, and will set controls over businesses which account for 80 per cent of regional electricity company profits.

Swalec reported a 19.5 per cent increase in pre-tax profits from £87m to £104m on sales of continuing businesses of £605m (£586m).

A 15 per cent rise in the final dividend to 18.1p brings the full year pay-out to 25.6p (22.3p). Earnings were 73.6p (60p).

Mr Andrew Walker, the new chief executive, said one of the main factors behind the rise was the cost-cutting drive, which brought costs down 8 per cent in real terms. This drive would continue into a further phase, he said, though he declined to give specific numbers for job losses.

The group also received its first returns from new generation projects: a gas-fired power plant on Teesside and a wind farm in Cumbria.

Profit growth came from the distribution business which raised its contribution by £10.8m to £79.3m. The supply business increased profits by £800,000 to £6.6m. Celtic, the contracting arm, suffered an operating loss of £2.2m in a difficult market after reorganisation costs of £1.4m.

Swalec also has a 40 per cent interest in CSW, a new cable TV and telecommunications company, for which an investment of £30m is foreseen over the next four years.

The result included a £10.2m (£9.1m) dividend from the National Grid.

Mr Walker said Swalec supported the proposed sale of the National Grid, and took the view that the shares should be handed straight to the shareholders of the regional electricity companies.

● **COMMENT**

Swalec is putting a brave face on the distribution review because it is potentially one of the more exposed recs. With high costs due to the widely dispersed market it serves, Swalec needs higher rates of return, and it is up to Prof Littlechild to decide whether these are justified. As it is, Swalec's electricity prices are already among the highest in the country. The results were well received in the market, where the shares gained 6p to 635p. With further progress on cost-cutting, and problems on the contracting side under tighter control, analysts felt Swalec should be making solid progress. Nonetheless, the shares carry the second highest yield in the sector – 5.7 per cent – due to the regulatory vulnerability.

Alvis edges ahead to £2.24m

By Bernard Gray

Alvis, the defence contractor, reported increased profits of £2.24m pre-tax for the six months to March 31, compared to £2.19m last time.

The upturn was achieved despite a fall in turnover to £36.7m (£45.8m) reflecting, according to Mr John Robertshaw, chairman, reduced order books at the Alvis Coventry subsidiaries, which manufacture armoured vehicles.

However, Mr Nick Prest, chief executive, said there were good prospects for further export and domestic orders in the medium term.

After tax, minorities and the preference dividend, losses per share were 0.5p (earnings of 0.1p). This primarily resulted from the sale of military optical equipment subsidiaries to 51 per cent-owned Avimo Singapore in 1993. On a pro-forma basis, stripping out the transaction, earnings would have been 0.4p.

The interim dividend is unchanged at 0.5p.

In the Avimo Singapore group, Helio, the maker of periscopes, turrets and other equipment for fighting vehicles performed well, as did Arab International Optronics, an associate. But contract delays hit the performance of Avimo Alvis Aerospace, which makes vehicle transmissions, and Avimo Electro-Optics.

Higher interest income, following the sale to Avimo, was more than offset by higher interest charges at Alvis Vehicles, where borrowings rose as a result of the unwinding of customer advance payments on manufacturing contracts.

Unipower, the manufacturer of specialist military vehicles acquired in February, did not make a material contribution to the figures.

However, Mr Robertshaw said that the earnings benefits of the acquisition were expected to show through in the next financial year when the British Army BR90 bridgebuilder contract comes on stream.

The shares closed down 7p at 65p.

Chloride returns to the black

By David Blackwell

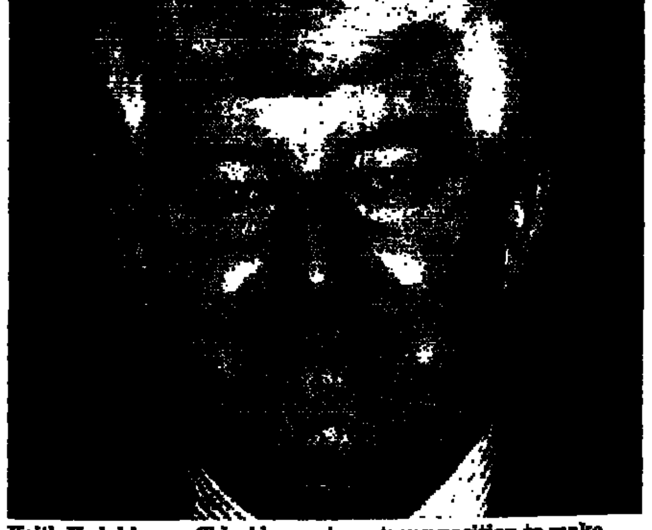
Chloride Group, which is transforming itself from a batteries business into an electronics group, returned to the black for the year ended March 31, but profits were not high enough to restore the dividend.

Pre-tax profits were £1.21m on total turnover of £101.4m, compared with a £1.58m loss last time on sales of £100.2m.

After tax and the preference dividend losses per share were reduced from 2p to 0.5p.

Mr Keith Hodgkinson, chief executive, described the results as a "significant improvement". The profit was struck after a loss of £1.7m on the disposal of battery businesses in Kenya, Zambia, Zimbabwe, Botswana and Malawi.

Operating profits on continuing operations were £2.8m on turnover of £89.5m, compared with a previous loss of £1m on turnover of £86m. Operating profits, including discontinued operations, were £3.39m (£869,000).



Keith Hodgkinson: Chloride was in a strong position to make acquisitions to complement its electronics business

The electronics division made a profit of £1.69m (£2.26m loss) on sales of £78m (£74m). The division – comprising uninterruptible power supplies for computers, emergency lighting, and power conversion – was the key to the group's future, Mr Hodgkinson said.

The uninterrupted power supply business performed particularly well, helped by last year's purchase of Ondyne, a European manufacturer specialising in the office products sector.

Mr Hodgkinson said the world office uninterrupted power supply market was growing at more than 10 per cent a year. The group was satisfied with its progress in electronics, but saw plenty of room for improvement in both sales and margins.

The continuing battery businesses, comprising a subsidiary company in Egypt and associated companies in Nigeria and South Africa, made profits of £1.08m on sales of £11.5m, slightly below the previous £1.25m on £12.1m. The group is continuing to seek buyers for these businesses.

Mr Hodgkinson said the group wanted to return to the dividend list as soon as possible, but had to be sure that payments could be sustained.

The group ended the year ungeared, with almost £1m net cash. This left it in a strong position to make acquisitions to complement its electronics side, said Mr Hodgkinson.

Tinsley Robor shows advance to £450,000

Tinsley Robor, the printing and packaging company, reported pre-tax profits up from £15,000 to £450,000 in the year to March 31. Turnover rose 7.3 per cent to £29.5m, compared with £27.5m.

Mr John Rose, chairman, said the company had made steady progress but the return on assets was still below the minimum acceptable. Earnings per share were 1.1p (losses 0.4p). The dividend is passed.

He added that the present year had started in line with expectations of continued steady improvement. "I expect that the coming year will provide the results which will enable our return to the dividend list."

The pre-tax figure was after charging termination costs of £218,000 and start-up losses for the new Netherlands plant of £206,000. Interest costs fell from £623,000 to £494,000.

Bloomsbury valued at £9m in placing

By Antonia Sharpe

Shares in Bloomsbury Publishing, one of the UK's leading independent book publishers, have been placed at 105p, giving the eight-year-old company a market capitalisation of £9m.

A total of 5.26m shares were placed with institutions by Beeson Gregory at 14 times historic earnings. Dealings in the shares, which will have a full listing, commence on June 23.

The net proceeds of the placing to the company of £2.7m will be used to fund the expansion of the new paperback, children's and home reference books divisions and to acquire the rights to works of leading authors.

The company also intends to repay £1.15m of loan stock and about £250,000 of accrued dividends and loan stock interest.

Bloomsbury made an operating profit of £856,000 in the year to December on turnover of £8.5m, up 41 per cent and 5.6 per cent respectively on 1992.

On a notional net dividend of 2.94p last year, the gross dividend yield at the flotation price was 3.5 per cent.

Following the placing, Mr Nigel Newton, founding chairman and managing director, will own 9.7 per cent of the ordinary share capital, approximately 90 per cent of his original stake in the company. However, two other founding directors, Ms Liz Calder and Mr Alan Wherry, are selling virtually all of their shareholdings.

Bloomsbury's original backers, Caledonia Investments and Legal & General, will own 14.7 per cent and 5.1 per cent respectively, while Baring Investment Management will hold 8.2 per cent.

Clinical trials encourage British Bio

By Daniel Green

British Biotechnology has had further promising results from clinical trials of its cancer drug Batimastat. The last published results, in March, provided the basis for a £90m cash raising exercise by the company.

The number of patients taking Batimastat has increased from 15 to 24. Some are showing a fall in the amount of a substance in their blood called CA 125, a widely used indicator for the progression of ovarian cancer. The fall indicates that the disease is retreating.

Analysts at James Capel, the stockbroker, have estimated the potential market for Batimastat at up to $6bn (£4bn). If clinical trials go well, the drug should be launched in 1997.

British Biotechnology also said that it had begun work on an oral cancer drug that works with a similar mechanism to Batimastat, which must be injected. It also said it was creating a subsidiary to research into treatments for multiple sclerosis.

Porter Chadburn loss at £17m

Provisions related to its withdrawal from the unprofitable consumer products division pushed pre-tax losses up sharply at Porter Chadburn in the year to April 1.

On sales of £133m (£138m), including £78.9m (£70.5m) from continuing operations, the packaging and specialist distribution group reported a deficit of £17.2m (£3.62m).

Mr Pat Barrett, chairman, said the withdrawal from the unprofitable division was complete. The remaining activities were all profitable and generating cash.

The operating loss was £1.22m (£4.34m). Exceptional charges of £14.6m included £8m of goodwill written back to comply with new accounting standards.

Bank borrowings at the year end were £9.1m (£10.9m) and the company said they had fallen further in the wake of the disposals. However, shareholders' funds had declined to £9.5m (£19.5m) due to the high losses and repayment of the preference shares in December and also the provisions.

In the current year £2.3m is due in connection with deferred acquisition payments.

Losses per share grew to 17.48p (4.82p) and there is no final dividend. Last year there was a 0.4p final out of a total of 1.25p.

Mr Barrett said the American label business had started the year well and in the UK the specialist distribution division had made a satisfactory start.

Penna £309,000 in red

Penna, the USM-quoted holding company for the Sanders & Sidney outplacement consultancy, blamed strong competition in a less active market for a pre-tax loss of £309,000 for the year to March 31. This compared with a £1.94m profit.

Turnover dropped from £10.8m to £8.02m.

The company also announced its first strategic acquisition outside its core outplacement activity, with the purchase of GHN, a specialist in career management for senior executives. Consideration is £385,000 cash and 656,250 new shares.

At December 1993, GHN's net assets totalled £267,000 and it reported annual pre-tax profits of £102,000.

Mr John Beard, chief executive, said that with the GHN acquisition "we will begin to implement our declared strategy of broadening the earnings base of the group through expansion into related sectors".

He said that although the loss was "clearly disappointing", the Sanders & Sidney business remained a strong cash generator. Cash in the year-end balance sheet was £904,000.

Losses per share were 4.8p (26.4p earnings). The recommended final dividend is 3p, making a total of 4p (10p) for the year.

The shares fell 5p to 103p yesterday.

This announcement appears as a matter of record only

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To the Holders of:

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10⅞% Secured Notes Due 1995

Notice of Additional Distribution

At the direction of all of the members of the Olympia & York Maiden Lane Noteholders Committee, NationsBank of Tennessee, N.A., as successor trustee (the "Trustee") under the Indenture (the "Indenture"), dated as of December 23, 1985, of Olympia & York Maiden Lane Finance Corp. (the "Issuer"), pursuant to which the Issuer's 10⅞% Secured Notes Due 1995 (the "Notes") were issued, will be distributing on June 27, 1994 an additional sum of $10,000,000, or, in other terms, $50 per each $1,000 original principal amount held by each holder. This sum is to be applied pro rata on account of principal and interest payments on the Notes, in accordance with Section 5.03 of the Indenture. Based on its calculations, the Trustee believes that, pursuant to the Indenture, each $50 received should be apportioned and applied, $41.56 towards principal and $8.44 towards interest. Each holder is urged, however, to consult with its own legal, tax and financial advisors in determining the proper allocations, in its particular circumstances.

The $10,000,000 amount is being distributed from excess Cash Flow generated by 59 Maiden Lane, the building securing the Notes. The distribution will be made to all holders of record on the Record Date of June 24, 1994.

As virtually all of the Notes are in bearer form, the Trustee does not have a complete list of Noteholders in order to communicate to the holders from time to time, as necessary. Accordingly, we ask each holder who has not previously done so to contact Mr. William J. Kennedy, Senior Vice President of NationsBank of Tennessee, N.A. at 600 East Main Street, Richmond, Virginia 23219-2441 (fax no. 804-344-1346) and indicate the principal amount of Notes owned by the holder and the holder's name, address, contact person and telephone number.

Capitalized terms used herein and not defined herein shall have the meanings assigned thereto in the Indenture.

NationsBank of Tennessee, N.A., *as Successor Trustee*

Dated: June 17, 1994

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 17.06.94: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.90	10.75	10.75
0100	10.80	10.90	10.90
0130	10.80	10.90	10.90
0200	10.80	10.90	10.90
0230	10.80	10.90	10.90
0300	10.80	10.90	10.90
0330	10.80	10.75	10.75
0400	10.80	10.75	10.75
0430	10.80	10.75	10.75
0500	10.80	10.75	10.75
0530	10.80	14.32	18.00
0600	14.40	11.05	11.05
0630	16.88	13.07	13.07
0700	24.38	14.91	18.59
0730	24.38	22.95	26.64
0800	25.03	25.01	28.70
0830	24.45	29.38	33.07
0900	25.23	29.42	33.12
0930	25.47	29.44	33.15
1000	35.68	29.45	33.16
1030	35.73	29.44	33.16
1100	35.75	29.44	33.15
1130	28.10	29.45	33.17
1200	34.87	29.48	33.18
1230	35.60	29.43	33.14
1300	35.54	29.39	33.09
1330	28.92	25.00	28.69
1400	24.41	23.95	27.63
1430	25.03	23.74	27.43
1500	26.02	23.74	27.43
1530	24.39	23.74	27.43
1600	24.39	23.35	27.03
1630	24.39	23.35	27.03
1700	33.29	23.74	27.43
1730	33.29	23.74	27.43
1800	33.29	23.74	27.43
1830	24.38	23.06	26.76
1900	24.38	22.95	26.64
1930	24.38	22.95	26.64
2000	20.97	21.42	25.10
2030	22.53	16.90	20.58
2100	20.97	16.90	20.58
2130	29.39	24.50	28.18
2200	30.95	24.50	28.16
2230	30.98	24.18	27.87
2300	30.95	16.51	20.19
2330	30.98	16.51	20.19
2400	17.51	14.32	18.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £10.80/MWh becomes 1.080p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-[illegible] between 8.30am and 5.15pm Monday to Friday.
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For the Interest Period from June 15, 1994 to September 15, 1994 the Note Rate has been determined at 5.5375% per annum. The interest payable on the relevant interest payment date, September 15, 1994 will be £539.09 per £38,523.49 nominal amount.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

June 17, 1994

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BANK OF ATHENS S.A.
ANNOUNCEMENT OF A PUBLIC TENDER
for the purchase of elements of the assets (claims) of
ATHENS PIPE WORKS S.A.

The BANK OF ATHENS, as special liquidator of the company ATHENS PIPE WORKS S.A. which has been placed under special liquidation as per article 46a of Law 1892/90 by decision No. 3867/92 or the Athens Court of Appeal, the verdict of which was construed by decision No. 592/93 of the same court

announces

a public tender for the highest bid with sealed, binding offers for the purchase of elements of the assets of the ATHENS PIPE WORKS S.A. (hereunder referred to as "the company"), i.e. claims, as described in the Offering Memorandum.

BRIEF DESCRIPTION: On the basis of the company's books, the total claims for sale amount to Grd. 1,971,792,318 as follows:

Account No. 30 CLIENTS	Grd.	159,970,386
Account No. 31 NOTES RECEIVABLE	Grd.	128,532,754
Account No. 33 VARIOUS DEBTORS	Grd.	1,681,699,168
Account No. 36 INTERIM ACCOUNTS	Grd.	1,527,010
GRAND TOTAL	Grd.	1,971,729,318

OFFERING MEMORANDUM: Interested parties can receive the detailed Offering Memorandum and any other information regarding the company's assets for sale following a written undertaking of confidentiality.

TERMS OF THE TENDER

1. General: The public tender for the highest bid will be executed in accordance with the provisions of article 46a of Law 1892/90, the terms of the present announcement and the terms contained in the Offering Memorandum, regardless of whether they are repeated or not in the present announcement. The submission of binding offers implies the unreserved acceptance of all these terms.

2. Binding Offers: In order to take part in the tender, interested parties are invited to submit a sealed, written and binding offer up to 1200 hours on Thursday, 14th July 1994 to the Athens notary public Georgia Fiamengou at 31 Harilaou Trikoupi Street, 4th Floor, tel. +30.1-360.9476.

The offers must clearly state the offered price which must be the total price for the company's claims for sale and the terms of payment in detail (cash or credit, mentioning the number of instalments, when they fall due and the proposed rate of interest). Offers submitted beyond the prescribed time limit will not be accepted or taken into account. Also unacceptable are any clarifications, amendments, additions, improvements, etc. to the offers after they have been unsealed, unless these are requested in writing by the liquidator or by the company's creditors representing a factor of more than 51%. The offers will remain binding up to the time of adjudication and the signature of the contract referred to in para. 7 of article 46a of Law 1892/90.

3. Letter of Guarantee: Every offer must be accompanied by a Letter of Guarantee from a bank legally operating in Greece, of at least (3) months' duration and able to be extended up to the time of adjudication, to the amount of Grd. 100 million. A specimen Letter of Guarantee is contained in the Offering Memorandum. Offers not accompanied by a Letter of Guarantee will not be taken into account. In the event that a highest bidder fails to abide by the terms of the tender, he will forfeit the amount of the guarantee to the liquidating company as a penalty clause and in compensation.

4. Submission Procedure: The offers, together with the letters of guarantee must be submitted in a sealed, opaque envelope, in person or by a legally authorised representative.

5. Opening of the bids: This will be done by the notary public, in her office on Thursday, 14th July at 1300 hours. All those who have submitted binding offers within the prescribed time limit are entitled to attend the opening of the bids and sign the relative act.

6. The highest bidder shall be the one whose bid is deemed by the creditors who represent a factor of more than 51% of claims against the company (hereunder referred to as "the creditors"), following the proposal of the liquidator and at their absolute discretion, as being the most favourable for the company's creditors. It is to be noted that in the event that payment is deferred, the current value will be taken into account with an annual compound interest rate of 22%.

7. The liquidator will invite the highest bidder in writing to present himself without fail at the time and place indicated in the invitation to sign the relative contract for the transfer of the assets, in accordance with the terms of his offer and any improved terms suggested by the creditors and agreed to by the highest bidder. Adjudication will follow the signature of the relative sale contract.

In the event that the highest bidder fails in his obligation to present himself for the signature of the sale contract and abide by his obligations under the terms of the present announcement and the terms of the tender, then the guarantee is forfeited to the BANK OF ATHENS as liquidator, to cover all expenses of any kind and time spent, and any actual loss or loss of earnings, with no obligation to account for them. Moreover, the liquidator BANK OF ATHENS also has the right to consider the amount of the guarantee as having been forfeited to it as a penalty clause and demand its payment from the guarantor bank.

8. All expenses and expenditures of any kind for participation in the tender and the transfer of the assets shall be borne exclusively by the interested buyers and by the highest bidder as the case may be. It is to be noted that for this transfer the exemptions and limitations of para. 13 article 46a of Law 1892/90 apply.

9. The liquidator and the creditors have no liability or obligation towards participants in the tender for evaluating the offers, for proclaiming the highest bidder, for deciding to repeat or annul the tender and generally for any other decision concerning the procedure and execution of the tender. Also, the liquidator, the creditors and the notary public cannot be held responsible for any physical or legal defects in the assets for sale. The submission of binding offers does not grant any right to adjudication. In general, also, participants in the tender do not acquire any right, claim or demand from the present announcement or from their participation in the tender against the liquidator or against the creditors for any reason whatsoever.

10. The present announcement has been drafted in Greek and in English translation. At all events the Greek text will prevail.

11. To obtain the Offering Memorandum and additional information, interested parties can apply to the liquidator's representative Mr. Nicholas Tsiokas at the company's offices at 260 Pireos Street, Athens, tel +30-1-482.0828 and 481.1375. Fax: +30-1-481.0171.

Athens, 10th June 1994
BANK OF ATHENS

STATE PROPERTY AGENCY

TENDER INVITATION

The State Property Agency (1133 Budapest, Pozsonyi út.56.) announces a single-round open tender for the purchase of state owned stocks of FMV Finommechanikai Rt (Precision Engineering Rt. 1106 Budapest, Fehér út 10).

The registered capital of the company is HUF 330.000,000 and the SPA is its 100% owner. The company's capital on 31 December 1994 was HUF 465,961,000 over the registered capital.

Within the frame of the tender invitation a share pocket of nominal value HUF 297,000,000 will be sold which represents 90% of the company's share capital. Bids can be submitted exclusively for the offered quantity of shares.

Shares of nominal value HUF 33,000,000 representing 10% of the registered capital were separated for employee ownership with favourable terms.

Competitors are obliged to list shares of nominal value HUF 250,000,000 in the course of capital increase to be carried out in the 4th quarter of 1994.

The stock company's major sphere of activity is: the development, production and sale of professional telecommunication equipment.

Bids are to be submitted to the address given hereunder in a closed envelope without letterhead in three copies in Hungarian language. Foreign competitors can submit their bids in English or in German in addition to the Hungarian copy, but in this case too, the Hungarian is exemplary.

Bids should be handed over in the presence of a Notary Public within the period kept open before the deadline.

The closing date and place for tender to be submitted is:
August 3, 1994 between 12.00 - 14.00 pm
State Property Agency
1133 Budapest, Pozsonyi út 56.
8th floor, Room 804.

The following text should be indicated on the envelope in Hungarian:
"Pályázat az FMV Rt-ben lévő állami tulajdon megvásárlására."
(Tender Invitation for the purchase of state owned stocks of FMV Rt.)

The State Property Agency retains the right to deem the offer null and void.

Those submitting a bid should pay a deposit of HUF 5,000,000 to prove their purchasing intention as prescribed in the tender invitation.

Competitors should keep their offers valid for at least 90 days reckoned from the date of submission.

Those wishing to take part in the tender must sign a Confidentiality Agreement and purchase the document "Terms of Bidding and Information Memorandum" the price of which is HUF 20,000 plus VAT for Hungarian parties, from the
State Property Agency
1133 Budapest, Pozsonyi út 56.
Customer Services Bureau.

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Meadow Lane Industrial Estate, Alfreton

NOTICE IS HEREBY GIVEN, pursuant to Section 48(1) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-names companies will be held on 21 June 1994 at the Quaker Meeting House, St James Row, Sheffield at 11.00am. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if (a) they have delivered to us at the address shown below, by no later than noon on 20 June 1994, written details of the debts they claim to be due to them from the companies, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and (b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Dated: 2 June 1994
Signed: David Stokes and Michael Moore
Joint Administrative Receivers
Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET

NO. 003187 of 1994
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
CAMPBELL & ARMSTRONG PLC
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 20th May 1994 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the share premium account of the above named Company from £3,759,823 to £2,544,892.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 29th day of June 1994.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of the share premium account should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 17th day of June 1994
Lovell White Durrant
65 Holborn Viaduct
London EC1A 2DY
Solicitors for the above named Company.

No. 003329 of 1994
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
UNICHEM PLC
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 25th May 1994 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the share premium account of the above-named Company in the sum of £17,022,361.76.

AND IT IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday 29th June 1994.

ANY Creditor or Shareholder of the Company desiring to oppose the making of an Order for the confirmation of the cancellation of the said share premium account should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 17th day of June 1994
RAKISONS
27 Chancery Lane, London WC2A 1NF
Solicitors for the above-named company.

No. 003371 of 1994
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
Domnick Hunter Group Plc
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 26th May 1994 presented to Her Majesty's High Court of Justice for (i) the confirmation of the reduction of the capital of the above named Company from £4,280,701.80 to £2,500,000 and (ii) the reduction of the Share Premium Account of the Company from £16,079,401.78 to £1,562,401.78.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at The Royal Courts of Justice, Strand, London, WC2A 2LL on Wednesday the 29th day of June 1994.

ANY creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under mentioned solicitors on payment of the regulated charge for the same.

DATED this 14th day of June 1994.
Gouldens of 22 Tudor Street, London, EC4Y 0JJ
Solicitors for the above named Company.

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CONTRACTS & TENDERS

PETROBRAS
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PUBLIC ANNOUNCEMENT
NR 570.9.413.94
CHARTERING OF NAVAL MEANS FOR CARAVELA

PETROBRÁS - PETRÓLEO BRASILEIRO S.A. announces that it will be holding an International Bid for chartering of naval means and rendering technical services for laying submarine pipelines in Caravela Field, Santos Basin, South of Brazil.

Further information will be available at:
PETROBRÁS - PETRÓLEO BRASILEIRO S.A.
SERVICO DE ENGENHARIA - SEGEN
Rua General Canabarro, 500 - 8 andar - Maracanã
Rio de Janeiro - RJ - Brazil
CEP: 20.271-201
PHONE: 055-021-566.5406 FAX: 055-021-566.5347

CONTRACTS & TENDERS

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Immobilienmanagement

Potsdamer Platz Project

Participation Review for Selecting a Prime Contractor

We are supervising the construction of new city premises in the Potsdamer Platz in Berlin on behalf of Daimler-Benz AG.

There will be a limited invitation to tender for the following services as part of a participation competition under the control of VOB/A.

Turnkey construction of 2 administrative buildings

Data:

	Building 1	Building 2
- Walled-in space, approx.	127.000 m^3	88.000 m^3
- Storey surface area, approx.	31.000 m^2	21.000 m^2
- Façade surface area, approx.	17.000 m^2	10.000 m^2
- Roof surface area, approx.	5.000 m^2	3.000 m^2

The building sponsor reserves the right to select applicants without constraint.

Completion time:
Roughly November 1994 - June 1997

Please enclose the following documents with the application as evidence of capability:

1. Turnover of company in last 3 trading years in relation to comparable services.
2. References with details of contract size and contract dates.
3. Number of employees broken down into occupational category.
4. Available technical resources.

Applications must be sent in writing by 24.6.94 to our company in charge of project control:

DREES & SOMMER AG
Projektmanagement und technische Beratung
Obentrautstraße 72
D-10963 Berlin
Tel.: 030/21 50 95-0
Fax: 030/21 50 95-20

Korean fears help drive N Sea oil price above $17

By Robert Corzine in Vienna

Oil prices continued to rally yesterday with the benchmark Brent blend rising above $17 a barrel for the first time since the end of September last year. It is now about $4 higher than its low of just under $13 reached last February.

Analysts say concern about a possible military confrontation on the Korean peninsula triggered off the latest rally, although publication of US statistics confirming continuing domestic supply bottlenecks added to the upward momentum.

Another factor underpinning the bullish sentiment included the decision on Wednesday by the Organisation of Petroleum Exporting Countries to cancel its September meeting.

The move was seen as confirmation that Opec is determined to stick to its present production ceiling of 24.52m barrels day until the end of the year.

Opec yesterday ended its conference in Vienna, with delegates continuing to express optimism about prices. One Gulf Arab official thought that by the end of the year prices for Brent could move towards the top of the $14-$21 range of recent years.

But Opec officials also conceded that rising prices could tempt some members to cheat on their quotas, even though all but three – Saudi Arabia, Kuwait and the United Arab Emirates – are producing close to their sustainable capacity.

One official said a few Opec members might be able exceed their sustainable capacity for "a few weeks". But he predicted that the impact on the market would not be that big. "They would only damage the fields as well as the price," he added.

Opec is also considering additional ways to enforce production discipline. Members are presently reviewing a scheme under which persistent over-producers could have their quotas reduced until their average production over a period was brought back into line. Officials say the unused portion of the original quota would not be reallocated among other members.

● Opec yesterday failed to select a permanent successor to Dr Subroto of Indonesia, the outgoing secretary general. Mr Abdalla Salem El-Badri, Libyan oil minister and the new Opec president, will assume the secretary-general's duties until November, when member will again try to select a permanent successor.

Indian government plans rice export 'thrust'

Kunal Bose on efforts to increase the country's 5 per cent share of the world market

The Indian federal government, assured of comfortable food stocks, has decided to work hand in hand with the trade to promote the export of rice.

Although India has the largest area under rice and it is the second biggest producer of the cereal after China, its share in the current year's projected world trade of 14.5m tonnes of rice will be less than 5 per cent.

According to the All India Rice Exporters Association, however, the country's export earnings from rice should be up to Rs25bn (£524m) by the turn of the century from about Rs12bn in the year to March 1994.

The designation of rice as a "thrust export commodity" and the series of measures taken of late by the government to facilitate export make the turn of the century target achievable, say trade sources.

The more important export enabling steps that the government have recently taken include the removal of the minimum export price (MEP) for basmati rice (a superfine, extra long aromatic variety), reduction in phases of the MEP for the non-basmati rice to improve its competitiveness in the world market and the abolition of the export quota for the non-basmati varieties.

Meanwhile, the commerce ministry has accepted the suggestion of the exporters' association that an export promotion council for rice should be set up. Its constitution, according to traders, will give a "direction to the growth in Indian rice export. We must know the changing consumer preferences in the traditional and new markets. One of the main tasks of the council will be to disseminate market information among the exporters".

India's rice exports grew to Rs12bn in 1993-94 from Rs3.52bn in 1987-88 without a proper marketing strategy. But until then India had largely relied upon the export of basmati rice, for which its only significant competitor is Pakistan. Basmati constitutes less than 10 per cent of the total amount of rice traded in the world market. Of the total about 42m hectares under rice in India, less than 800,000 – in Punjab, Haryana and Uttar Pradesh – are committed to the basmati variety.

Indian production of basmati ranges from 600,000 tonnes to 650,000 tonnes a year. Last year's exports are estimated at 400,000 tonnes, of which 75 per cent went to the Middle East.

Mr E.A. Siddiq, project director of the Indian Directorate of Rice Research, has sounded a note of caution that in spite of its special attributes, basmati rice is "becoming less acceptable in the traditional markets and it is often rejected in the western market due to the failure to conform to the quality norms."

He thinks that complaints regarding the quality of basmati can be tackled, provided that this special rice is put into two broad categories based on the grain length – grade one comprising grains 7mm long and above and grade two between 6.5mm and 6.9mm.

Traders think it should be possible to sell larger quantities of basmati in Europe, the US and Canada, which are now small markets. According to the exporters' association, there is scope for promoting long grain basmati in Japan as a "gourmet food". The special Indian rice attracted some good enquiries at the recently held Foodex Japan.

There is a growing consensus, however, that increases in Indian rice exports will have to come mainly from the non-basmati varieties, which last year accounted for only about 160,000 tonnes.

According to the exporters' association, the gradual reduction in farm and export subsidies and the minimum access opportunities for agricultural products that are envisaged under the General Agreement on Tariffs and Trade will improve India's rice export prospects.

Besides basmati rice, India produces high quality long grain, medium quality long grain, short grain and glutinous rice. It is in a position, therefore, to exploit a number of markets.

As for non-basmati rice, the market that India is targeting specifically, it is in Africa where the demand for broken rice is growing and the exporters' association considers that continent to be the "best bet" for Indian rice exporters.

As part of their effort to achieve a bigger share of the world trade in rice, Indian exporters have started making "substantial investment" in rice mills with the state of the art graders, sorters and polishers. Another encouraging development is the entry of big houses like Hindustan Lever and ITC, the Indian associate of BAT Industries, in India's rice export sector.

Copper and aluminium lead base metals back into bull run

By Our Commodities Satff

Base metals' bullish bandwagon appeared to be back on course yesterday after Wednesday's setbacks.

The London Metal Exchange's three months delivery copper price climbed back above the psychologically significant $2,400-a-tonne mark while the aluminium market moved towards its next upside resistance area.

Other LME contracts were also higher, with three months zinc just managing to regain its toe-hold above $1,000 a tonne and lead equalling its recent 20 month high.

"The other metals were looking softer, but when copper and aluminium start to go higher, people change their views," one trader told the Reuters news agency.

Once the three months copper price became re-established above $2,400 fresh speculative buying emerged to maintain it, and the market's firmness was underpinned by a narrowing in the discount for cash metal. The "contango" (as the discount is known in the trade) against three months metal was reduced from $18 to $15.

Aluminium also benefited from a resurgence of speculative buying, which helped the three months position clear the $1,440-a-tonne level and reach a $38-month high before running into resistance near $1,450. At the close it stood at $1,444.50 a tonne, up $10.75 on the day and $38.25 on the week so far.

Traders told Reuters that the recent change in sentiment – with voluntary output cuts generally expected to start wearing down stocks soon – pointed to upside objectives around $1,460 being secured before long.

The tin market continued to match moves in the LME's major metals, with early losses being negated in the afternoon's general rally. However, there was not enough enthusiasm behind the buying for prices to break significantly higher and the three months position closed at $5,667.50 a tonne, up $22.50 on the day.

Nickel prices had been pushing higher from the start of trading, with some fresh buying helping the three months price to break through $6,400 and reach $6,500 a tonne at one stage. Chart-based resistance emerged around that level, however , and the price closed at $6,482.50 a tonne. But that still represented a gain of $39.50.

Traders explained zinc's relatively lacklustre performance – up $1.50 at $1,001 a tonne – as a reflection of the heavy stocks burden that is still overhanging the market.

Coffee futures retreat from 7½-year highs

By Our Commodities Staff

Coffee futures surged to fresh 7½-year highs at the London Commodity Exchange before surrendering nearly all the gains.

The September delivery position peaked in the morning at $2,490 a tonne, extending the rally following Wednesday morning's shake-out to $150. Traders told the Reuters news agency that the early gains were in response to a report by the Green Coffee Association of New York showing lower warehouse stocks.

But the trend was not followed up when the New York market opened and London quickly went into retreat. By the close profit-taking and liquidation had trimmed the September price to $2,395 a tonne, up just $7 on the day.

"Things have gone quiet," said one trader. "The excitement went after New York failed to follow us up, and then we just followed them down."

The earlier rise had triggered stop-loss buying and prices had leapt in a vacuum, other traders said.

It was a similar story in the cocoa market. Wednesday's strong tone was maintained in early trading and the September price jumped £14 to £1,055 a tonne at one stage. But it ended £6 down at £1,035.

"New York failed to live up to expectations, which also hurt sentiment," said one trader, who added that there was "a fair amount of book-squaring going on". "The market is being ruled by the specs [speculators] and ignoring fundamentals, which are quite bearish," said another.

EU warned on cost of eastern European farm price support

The cost of farm support to help central and eastern European countries join the European Union could amount to nearly Ecu1bn (£780m) a year, according to two independent farm experts, reports Reuters from Brussels.

Provision of low farm support prices and creation of "land banks" to provide credit to help private farmers would cost between Ecu500m and Ecu900m a year, Mr Henri Nallet, former French farm minister told a news conference.

"We hope the eastern Europeans will finance it themselves," added Mr Adriaan van Stolk, co-author of a report for the European Commission on EU farm trade relations with eastern Europe.

The financing of farm support measures is expected to be one of the most difficult issues in negotiations with Poland, Hungary, the Czech Republic, Slovakia, Romania and Bulgaria on their eventual entry into the EU.

Mr Rene Steichen, the EU agriculture commissioner, said on Wednesday that the report reflected only the personal views of the authors.

The European Commission is expected to publish in July a discussion document on measures to narrow the farm policy gap and assist the eventual membership of the eastern European countries.

East European farm support would be based on a wheat price of $85 a tonne, said Mr van Stolk, a Dutch farm business expert. "The clue is to lock in a low support price," he suggested, adding that $85 would cover "hard core" input and labour costs and allow farmers to compete on the world market.

Mr Nallet said lessons must be learned from the EU's major error 30 years ago in setting cereals intervention prices 25 per cent above the internal market price.

Price support would be complemented by a simplified system of fixed levies and refunds on EU farm imports and exports from eastern Europe.

The creation of "land banks" would help tackle the huge problem of inflation and illiquidity in eastern Europe, Mr van Stolk said. "It would help provide liquidity in a very illiquid system" while helping private farmers to build up economically-sized farms.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1416-7	1444-5
Previous	1403.5-4.5	1433.5-4
High/low	1417.5/1417	1454/1428
AM Official	1417-7.5	1445.5-6
Kerb close		1442-3
Open int.	262,203	
Total daily turnover	71,701	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1420-30	1430-5
Previous	1415-20	1420-25
High/low		1435/1430
AM Official	1420-5	1430-5
Kerb close		1430-5
Open int.	3,064	
Total daily turnover	761	

■ LEAD ($ per tonne)

Close	535-6	552-3
Previous	520.5-1.5	538-9
High/low		553/541
AM Official	531.5-2	547-7.5
Kerb close		548-9
Open int.	37,130	
Total daily turnover	7,587	

■ NICKEL ($ per tonne)

Close	6380-90	6480-5
Previous	6345-55	6441-5
High/low	6353	6510/6330
AM Official	6363-5	6446-50
Kerb close		6485-90
Open int.	55,821	
Total daily turnover	7,385	

■ TIN ($ per tonne)

Close	5585-95	5665-70
Previous	5560-70	5640-50
High/low		5670/5620
AM Official	5571-6	5650-5
Kerb close		5660-5
Open int.	16,598	
Total daily turnover	3,010	

■ ZINC, special high grade ($ per tonne)

Close	975-7	1000-2
Previous	974-5	999-1000
High/low	978	1005.5/991
AM Official	978-8.5	1003.5-4
Kerb close		998-9
Open int.	105,896	
Total daily turnover	21,755	

■ COPPER, grade A ($ per tonne)

Close	2402-3	2417-8
Previous	2377-8	2395-6
High/low	2402	2428/2385
AM Official	2402.5-3.5	2418-9
Kerb close		2415-7
Open int.	221,184	
Total daily turnover	45,625	

■ LME AM Official £/$ rate: 1.5219
LME Closing £/$ rate: 1.5200

Spot:1.5200 3 mths:1.5180 6 mths:1.5162 9 mths:1.5153

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jun	111.05	+0.65	111.30	111.00	464	71
Jul	111.30	+1.00	111.75	109.35	30,603	8,487
Aug	111.40	+1.00	111.20	110.70	577	6
Sep	111.50	+1.00	111.85	110.10	17,379	4,906
Oct	110.70	+1.00	-	-	272	41
Nov	110.30	+1.05	-	-	203	4
Total					62,433	15,684

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	386.10-386.50	
Opening	386.50-386.90	
Morning fix	387.10	254.336
Afternoon fix	386.85	254.423
Day's High	387.50-387.90	
Day's Low	385.60-386.00	
Previous close	386.50-387.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.98	6 months	4.35
2 months	4.03	12 months	4.86
3 months	4.11		

Silver Fix	p/troy oz.	US cts equiv.
Spot	363.25	553.00
3 months	367.80	558.85
6 months	372.10	565.10
1 year	384.25	581.90

Gold Coins	$ price	£ equiv.
Krugerrand	388-391	255-257
Maple Leaf	396.55-398.95	-
New Sovereign	89-92	59-61

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jun	385.4	-1.4	387.2	385.3	660	291
Jul	386.1	-1.4	-	-	-	-
Aug	387.5	-1.5	389.7	386.9	71,501	36,835
Oct	390.5	-1.5	392.5	390.2	5,184	212
Dec	393.7	-1.5	395.7	393.4	24,687	1,454
Feb	397.2	-1.4	-	-	6,357	234
Total					138,324	38,986

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jul	405.9	-1.6	409.0	405.2	11,989	3,565
Oct	408.6	-1.7	412.0	408.0	9,570	2,077
Jan	410.8	-1.7	411.5	411.5	1,270	63
Apr	412.9	-1.7	413.0	413.0	1,186	15
Total					24,016	5,720

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Jun	138.75	-0.55	-	-	83	-
Sep	139.25	-0.30	140.50	139.00	3,654	268
Dec	139.45	-0.30	141.00	139.50	818	46
Mar	139.45	-0.30	-	-	1	-
Total					4,558	314

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

Jun	545.1	-6.2	551.0	551.0	-	-
Jul	546.0	-6.2	558.0	544.0	68,592	33,726
Aug	548.9	-6.2	-	-	-	1
Sep	550.9	-6.2	563.5	549.5	22,820	11,368
Dec	558.3	-6.2	570.0	557.0	17,974	1,315
Jan	560.0	-6.2	-	-	32	-
Total					126,182	46,463

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	19.83	-0.03	19.95	19.62	53,870	44,464
Aug	19.11	+0.08	19.18	18.90	89,670	82,455
Sep	18.72	+0.02	18.76	18.55	58,292	26,822
Oct	18.48	-	18.50	18.35	29,806	9,884
Nov	18.30	-0.03	18.33	18.18	24,882	2,450
Dec	18.21	-0.04	18.25	18.10	34,306	6,861
Total					432,405	180,973

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	16.85	-0.09	17.06	16.81	25,424	10,841
Sep	16.75	-0.08	16.92	16.70	70,029	30,977
Oct	16.70	-0.01	16.83	16.67	24,250	5,159
Nov	16.67	-0.06	16.78	16.60	10,482	2,032
Dec	16.64	-0.04	16.77	16.60	5,831	725
Jan	16.62	-0.03	16.72	16.67	8,662	1,192
Total					126,263	51,629

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	50.85	+0.27	51.05	50.10	32,767	27,541
Aug	51.25	+0.30	51.45	50.45	22,104	18,049
Sep	51.90	+0.20	52.10	51.40	14,450	6,287
Oct	52.60	+0.20	52.90	52.45	9,663	1,812
Nov	53.60	+0.30	53.60	53.30	7,149	1,208
Dec	54.50	+0.15	54.75	54.10	14,919	4,435
Total					128,586	61,443

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	157.75	+6.25	158.00	154.00	29,894	10,825
Aug	158.25	+5.75	159.50	156.00	11,498	15,600
Sep	160.75	+5.50	161.00	157.75	7,979	5,481
Oct	163.50	+5.25	163.50	160.50	7,972	1,371
Nov	165.25	+5.00	165.50	162.50	5,396	730
Dec	167.25	+5.25	167.50	164.25	13,625	908
Total					85,548	21,906

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	2.215	+0.043	2.225	2.180	14,302	10,338
Aug	2.255	+0.040	2.260	2.220	16,808	8,680
Sep	2.230	+0.027	2.230	2.200	11,610	3,037
Oct	2.230	+0.025	2.230	2.200	10,095	948
Nov	2.290	+0.010	2.290	2.275	11,236	724
Dec	2.370	+0.002	2.375	2.365	14,670	503
Total					122,490	25,326

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	53.70	-0.15	53.90	53.25	34,499	18,413
Aug	54.00	-0.20	54.25	53.55	27,828	12,580
Sep	53.60	-0.10	53.95	53.50	11,750	2,787
Oct	52.20	-0.10	52.25	51.80	4,863	1,201
Nov	50.80	-0.05	51.00	50.70	4,251	340
Dec	55.40	-0.85	55.70	55.15	2,934	281
Total					88,127	35,533

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	114.15	+0.65	114.25	113.95	180	21
Sep	101.15	-0.40	102.20	101.25	478	23
Nov	101.80	-0.20	102.50	101.75	2,280	122
Jan	103.85	-0.05	104.40	104.00	1,374	77
Mar	105.20	-0.25	105.25	105.25	478	15
May	106.75	-0.15	107.50	106.90	383	48
Total					5,153	306

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Jul	335/2	-5/2	343/0	332/0	111,820	40,380
Sep	342/6	-4/6	350/0	339/0	67,080	10,770
Dec	354/4	-4/4	362/0	350/0	113,270	26,965
Mar	357/2	-5/0	364/4	352/4	13,930	4,370
May	348/0	-7/0	-	-	330	25
Jul	330/0	-8/0	340/0	330/0	1,540	340
Total					307,960	82,830

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Jul	281/6	+1/6	284/0	278/0	442,400	112,290
Sep	278/4	+0/6	279/4	274/0	200,700	40,880
Dec	270/4	-0/6	275/0	267/4	520,050	250,720
Mar	278/4	-0/6	280/4	274/0	59,465	14,525
May	280/2	-0/4	284/4	278/4	8,905	3,025
Jul	281/2	-0/4	283/6	280/0	17,070	3,815
Total					1,265M	438,090

■ BARLEY LCE (£ per tonne)

Sep	99.00	+0.25	99.00	99.00	191	32
Nov	99.95	-0.10	100.00	100.00	340	15
Jan	101.50	-	-	-	28	-
Mar	103.00	-	-	-	25	-
May	104.60	-	-	-	4	-
Total					588	47

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jul	701/4	-3/6	714/0	698/2	212,540	90,640
Aug	699/2	-2/2	711/0	695/0	93,885	40,520
Sep	691/0	-2/0	702/0	686/0	51,000	12,505
Nov	680/0	-4/2	694/4	676/0	358,110	189,530
Jan	686/4	-1/0	698/4	682/0	28,940	5,535
Mar	692/6	-3/4	702/0	688/0	13,246	3,600
Total					782,878	360,860

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Jul	27.84	+0.03	28.20	27.77	19,935	7,600
Aug	27.88	+0.07	28.16	27.75	15,625	3,226
Sep	27.80	+0.06	28.08	27.73	11,510	2,404
Oct	27.50	+0.04	27.75	27.42	7,247	859
Dec	27.22	-	27.55	27.12	22,228	4,461
Jan	27.15	-	27.40	27.12	3,186	686
Total					84,189	19,544

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Jul	204.3	-1.4	208.5	202.5	24,225	9,398
Aug	204.8	-1.4	209.0	203.0	18,488	5,542
Sep	204.9	-1.4	209.0	203.2	12,478	4,958
Oct	203.6	-1.4	207.5	202.0	8,272	1,378
Dec	203.3	-1.1	208.0	201.5	19,922	10,472
Jan	202.9	-1.8	206.5	201.5	1,567	383
Total					86,693	32,701

■ POTATOES LCE (£/tonne)

Nov	90.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	148.2	-2.6	151.0	147.5	748	169
May	140.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					748	169

■ FREIGHT (BIFFEX) LCE ($10/index point)

Jun	1278	-	1278	1275	515	4
Jul	1216	+11	1217	1205	985	65
Aug	1232	+18	1230	1230	193	21
Oct	1299	+1	1300	1299	493	2
Jan	1323	+2	1325	1325	228	1
Apr	1353	+8	1355	1355	83	1
Total					2,636	94

	Close	Prev
BFI	1316	1321

Wool
Australian wool prices were again firm with little change during the week. The market indicator finished at 625c/kg, just 3c lower than a week ago. Japan and Western Europe were still said to be active buyers, but an added influence was China, reported to be among the leading competitors and encouraging the view that the wool market may resume its rising trend in the season due to begin next month. For some weeks the balance has been close between those considering a period of consolidation and perhaps easier prices in the months ahead, and those convinced that the main rising trend will persist. If China is more active, and with stockpile sales soon to be restricted by a fixed disposal schedule, the more bullish approach has gained a little ground. Good rates of activity in the main wool consuming countries during recovery from recession is helpful.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1018	-1	1035	1015	15,364	1,240
Sep	1036	-5	1055	1033	19,296	3,112
Dec	1055	-4	1073	1053	28,443	1,420
Mar	1073	-6	1091	1078	28,083	481
May	1085	-6	1105	1083	10,478	343
Jul	1097	-6	-	-	3,364	-
Total					112,190	6,761

■ COCOA CSCE (10 tonnes; $/tonnes)

Jul	1353	-24	1399	1345	5,688	5,368
Sep	1393	-18	1426	1385	37,532	8,905
Dec	1433	-15	1461	1424	11,273	929
Mar	1463	-14	1490	1456	8,053	338
May	1482	-14	1510	1490	2,909	2
Jul	1504	-14	-	-	2,346	-
Total					72,361	15,743

■ COCOA (ICCO) (SDR's/tonne)

Jun 15	Price	Prev. day
Daily	1075.85	1032.19
10 day average	N/A	N/A

■ COFFEE LCE ($/tonne)

Jul	2395	-8	2500	2400	10,864	1,046
Sep	2395	+7	2490	2395	19,345	2,876
Nov	2373	+20	2460	2370	7,267	813
Jan	2363	+29	2430	2360	6,869	460
Mar	2328	+28	2374	2330	2,529	40
May	2328	+48	2360	2360	128	104
Total					47,002	6,341

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Jul	133.65	-4.45	142.00	132.50	9,785	3,651
Sep	134.00	-4.20	142.50	132.75	25,721	9,265
Dec	131.75	-4.40	140.00	131.40	12,566	1,110
Mar	128.45	-4.40	136.60	128.25	7,783	372
May	127.40	-4.60	134.50	128.50	1,090	131
Jul	126.00	-	-	-	135	2
Total					57,168	14,541

■ COFFEE (ICO) (US cents/pound)

Jun 15	Price	Prev. day
Comp. daily	128.75	128.84
15 day average	117.59	117.35

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Jul	12.87	+0.03	12.83	12.80	3,374	208
Oct	12.71	-	-	-	1,101	-
Jan	11.82	-	-	-	-	-
Mar	12.20	+0.02	-	-	60	-
Total					4,535	208

■ WHITE SUGAR LCE ($/tonne)

Aug	352.30	+0.80	352.50	351.00	12,016	317
Oct	331.80	+0.20	332.50	330.80	9,145	656
Dec	324.10	+0.30	323.30	323.30	875	5
Mar	321.80	+0.20	-	-	2,582	-
May	321.30	-	321.30	320.90	201	6
Aug	320.00	-3.30	320.40	320.30	290	6
Total					25,169	992

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Jul	12.40	+0.07	12.43	12.29	28,364	5,405
Oct	12.41	-	12.44	12.33	73,301	7,827
Mar	12.03	+0.01	12.04	11.97	27,858	2,425
May	11.99	+0.01	12.01	11.95	4,247	251
Jul	11.96	+0.01	11.94	11.94	1,671	312
Oct	11.87	-0.03	11.87	11.87	805	85
Total					136,295	16,305

■ COTTON NYCE (50,000lbs; cents/lbs)

Jul	80.56	+0.63	81.93	80.40	8,273	2,583
Oct	77.66	+0.05	78.55	77.65	8,869	1,172
Dec	76.90	+0.17	77.25	76.60	28,388	3,944
Mar	77.80	+0.22	78.15	77.55	3,617	131
May	78.20	+0.25	78.40	78.10	1,865	60
Jul	78.55	+0.06	78.75	78.20	604	38
Total					51,444	7,928

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jul	88.00	-8.70	95.90	88.00	7,680	988
Sep	93.45	-5.00	98.90	93.45	9,403	1,261
Nov	95.10	-5.00	100.25	95.10	1,903	185
Jan	97.20	-5.00	102.00	97.20	3,123	112
Mar	98.70	-5.00	104.00	96.70	1,282	279
May	100.70	-5.00	106.50	106.50	50	2
Total					23,437	2,807

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

June 16	June 15	month ago	year ago
2032.0	2027.1	1966.9	1654.6

■ CRB Futures (Base: 4/9/56=100)

June 15	June 14	month ago	year ago
236.61	235.30	226.78	203.43

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	65.025	-0.075	65.400	64.850	4,222	1,898
Aug	64.150	-0.200	64.550	64.025	30,987	7,884
Oct	67.700	-0.175	68.125	67.625	15,210	2,189
Dec	69.025	+0.075	69.150	68.800	10,723	1,214
Feb	69.925	+0.125	70.000	69.500	8,990	719
Apr	70.975	+0.025	71.200	70.850	3,163	383
Total					71,926	14,668

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Jun	48.925	+0.675	49.100	48.150	1,222	573
Jul	48.875	+0.600	49.000	48.175	8,579	1,980
Aug	47.825	+0.375	48.100	47.525	8,886	1,281
Oct	44.700	+0.075	44.925	44.500	4,387	502
Dec	44.775	+0.075	44.800	44.500	3,244	186
Feb	44.175	-	44.800	44.100	781	18
Total					27,813	4,649

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Jul	44.200	+2.000	44.200	42.400	4,062	1,854
Aug	43.825	+2.000	43.825	42.000	3,940	1,223
Feb	48.000	+0.360	48.600	47.900	489	85
Mar	47.000	-	47.900	0	37	4
May	50.700	+0.750	50.700	0	33	3
Jul	50.900	+0.700	50.900	0	12	2
Total					8,565	3,142

LONDON TRADED OPTIONS

Strike price $ tonne	— Calls —		— Puts —	
■ ALUMINIUM (99.7%) LME	Aug	Nov	Aug	Nov
1375	78	116	17	32
1425	47	88	36	60
1475	25	61	64	75
■ COPPER (Grade A) LME	Aug	Nov	Aug	Nov
2350	110	129	41	93
2400	81	105	62	118
2450	58	85	88	146
■ COFFEE LCE	Jul	Sep	Jul	Sep
2200	314	392	119	219
2250	284	367	139	244
2300	257	342	162	269
■ COCOA LCE	Jul	Sep	Jul	Sep
975	77	123	16	43
1000	60	108	24	53
1050	35	82	49	77
■ BRENT CRUDE IPE	Aug	Sep	Aug	Sep
1600	-	-	20	36
1650	81	90	32	53
1700	45	64	62	74

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Aug)

		+or-
Dubai	$15.84-5.72q	+0.195
Brent Blend (dated)	$16.83-6.85	+0.175
Brent Blend (Aug)	$16.83-6.85	+0.175
W.T.I. (1pm est)	$18.91-8.93q	

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$186-187	+3.0
Gas Oil	$157-158	+6.0
Heavy Fuel Oil	$77-79	
Naphtha	$161-163	+3.0
Jet Fuel	$168-170	+6.5

Petroleum Argus Estimates

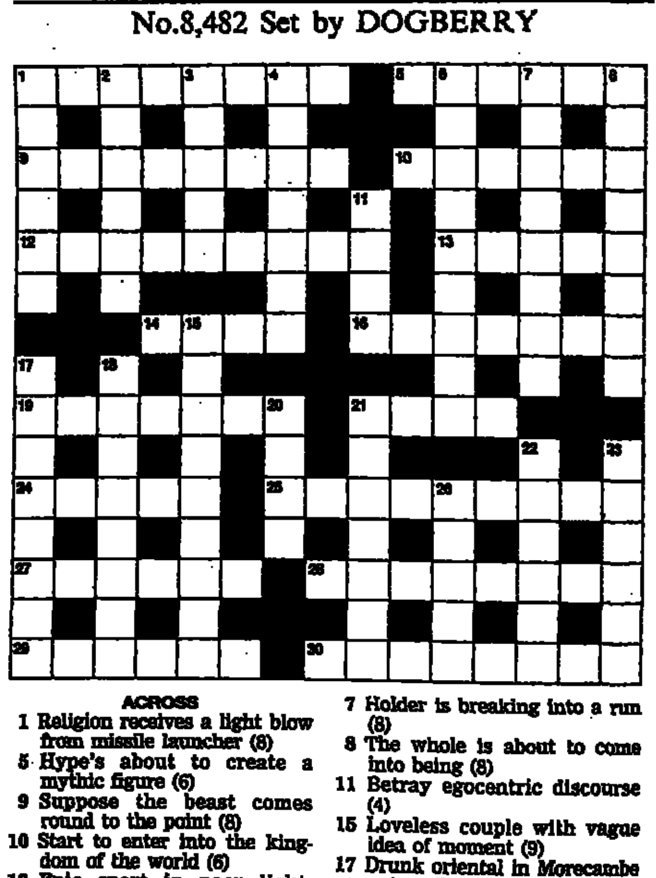
■ OTHER

Gold (per troy oz)♣	$386.30	-0.45
Silver (per troy oz)♣	548.50c	-3.00
Platinum (per troy oz.)	$405.25	+3.50
Palladium (per troy oz.)	$138.75	+1.25
Copper (US prod.)	115.0c	
Lead (US prod.)	35.75c	
Tin (Kuala Lumpur)	14.31m	-0.18
Tin (New York)	259.50c	+2.00
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	128.15p	-1.58*
Sheep (live weight)†♠	110.30p	+1.76*
Pigs (live weight)	80.36p	-4.01*
Lon. day sugar (raw)	$305.60	+2.40
Lon. day sugar (wte)	$359.20	-0.05
Tate & Lyle export	£314.00	+2.00
Barley (Eng. feed)	£105.5t	+1.0
Maize (US No3 Yellow)	$143.0	+1.0
Wheat (US Dark North)	£180.0	
Rubber (Jul)♥	78.75p	
Rubber (Aug)♥	78.75p	
Rubber(KL RSS No1 Jul)	273.50m	+1.50
Coconut Oil (Phil)§	$622.5z	-7.5
Palm Oil (Malay.)§	$505.0q	
Copra (Phil)§	$403.0	-3.0
Soyabeans (US)	£204.0z	
Cotton Outlook A Index	86.40c	+0.15
Wooltops (64s Super)	422p	-4

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. q Aug. t Oct/Dec z Jun/Jul. w Jul. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

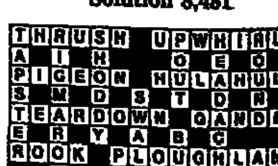
No.8,482 Set by DOGBERRY



ACROSS
1 Religion receives a light blow from missile launcher (8)
5 Hype's about to create a mythic figure (6)
9 Suppose the beast comes round to the point (8)
10 Start to enter into the kingdom of the world (6)
12 Epic sport in poor light, almost (9)
13 One loth to pay for immaculate motorway services? (5)
14 Deferral of support (4)
16 Sharp officer in boat (7)
19 Bribe with camel (7)
21 Principal part of element (4)
24 Parasite takes in right fool (5)
25 Replace material, swallowing by the second (9)
27 I adore getting a man to shift gear (6)
28 Vegetable fuel, say? Not quite mad (8)
29 Ministers work on volume before close of day (6)
30 Cathy and Heathcliff initially in passionate bloom (8)

DOWN
1 Reform copper (6)
2 Drink put on slate – keep very quiet (6)
3 Something to eat after one (5)
4 Draw many of Tarka's ilk? (7)
6 Doleful cry raised by male accountant in Spain (9)
7 Holder is breaking into a run (8)
8 The whole is about to come into being (8)
11 Betray egocentric discourse (4)
15 Loveless couple with vague idea of moment (9)
17 Drunk oriental in *Morecambe* not easily apprehended (8)
18 Fodder contaminated by river of waste (8)
20 Army entertainer (4)
21 Disease makes Irish jump, though looking well (7)
22 Be left with graduate in charge (6)
23 Use net, perhaps, to snare alien idol (6)
26 What's left of Catholic priest interred (5)

Solution 8,481



JOTTER PAD

MARKET REPORT

Early losses reduced in modest trading volume

By Terry Byland,
UK Stock Market Editor

Shares reacted nervously in London yesterday to a warning on interest rates from the Governor of the Bank of England and also to renewed losses in bond markets following sharp rises in oil and commodity prices. But there was little selling pressure in the stock market, which stood up well to the new setback in UK government bonds.

Neither the UK chancellor of the exchequer nor the Bank Governor had given the stock market much encouragement in their respective speeches on the previous evening at the Mansion House, in the City of London.

But traders said that the day's fall of 15.7 for a final reading on the FT-SE 100 Index of 3,030.1 appeared "quite good in the circumstances".

Equities opened lower as traders digested the chancellor's assurances that taxes will not be cut until public borrowing levels permit, and the Governor's warning that UK interest rates will have to rise at some unspecified moment in the future.

The FT-SE 100 was down just over 20 points within a few minutes of the official opening of trading, albeit in very thin volume. At first, it appeared that confidence in the stock market would be severely challenged by falls in UK gilts as European bonds reacted sharply to the weakness overnight in US Federal securities.

A crude oil price of nearly $20 a barrel in the US, together with a higher gold bullion price, reminded investors that the US Federal Reserve Board has identified commodity prices as a significant inflation trigger. Some bond market analysts predicted that the Fed might soon feel obliged to tighten credit policy again.

Against this negative background, the stock market did well to rally quickly from the day's low of 3,025.4 on the Footsie and to trade peaceably ahead of the opening of the new session in New York.

Little response was accorded to news that domestic retail sales patterns were unchanged in May, or to a rise in May Public Sector Borrowing Requirement to £4.34bn.

When the Dow Industrial Average opened modestly firmer, to show a gain of 10 points in UK hours, the London market consolidated and appeared unaffected by renewed uncertainty in US Federal bonds, or by the absence of recovery in domestic gilts.

In the wider market, the FT-SE Mid 250 Index finished 25.5 down at 3,534.2. Oil shares benefited from higher crude prices, with Lasmo firmer in late trading in spite of a generally negative view of prospects for the increased terms from Enterprise Oil. The utility sector, however, remained rattled following the warning on dividend policy from British Gas in the wake of the Ofgas pricing report.

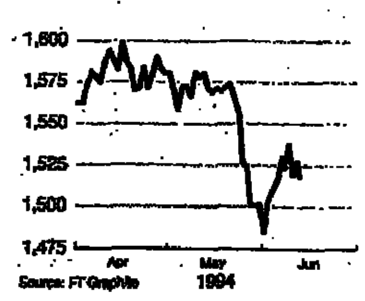
Although Seaq volume increased to 610.1m shares from the 562.8m registered in the previous session, traders said that the market was not busy yesterday. Trading in non-Footsie stocks made up a high 60 per cent of overall Seaq business. The warning on interest rates, while not presenting any new factor for the market, encouraged fund managers to back away from equities while still waiting for the bond market to settle down. Some analysts said that equities had yesterday shown themselves successfully freed from bond market influences.

Retail business remained high at £1.56bn on Wednesday, in spite of the reduced market attendance prompted by a national rail strike. Many traders sensed that retail business had fallen away yesterday.

Account Dealing Dates		
*First Dealings:		
Jun 6	Jun 20	Jul 4
Option Declarations:		
Jun 16	Jun 30	Jul 14
Last Dealings:		
Jun 17	Jul 1	Jul 15
Account Day:		
Jun 27	Jul 11	Jul 25

*New time dealings may take place from two business days earlier.

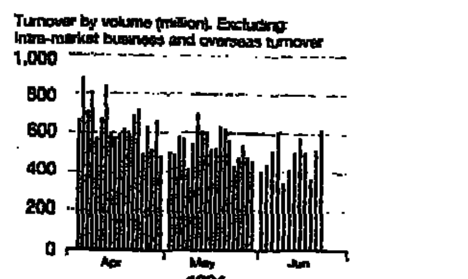
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3030.1	-15.7	FT Ordinary index	2383.4	-16.4
FT-SE Mid 250	3534.2	-25.5	FT-SE-A Non Fins p/e	19.37	(19.29)
FT-SE-A 350	1526.8	-8.6	FT-SE 100 Fut Jun	3025.5	-16.5
FT-SE-A All-Share	1518.30	-8.29	10 yr Gilt yield	8.74	(8.59)
FT-SE-A All-Share yield	3.89	(3.86)	Long gilt/equity yld ratio:	2.26	(2.26)

Best performing sectors		Worst performing sectors	
1 Retailers, Food	+1.6	1 Building Mats	-2.8
2 Oil, Integrated	+0.4	2 Extractive Inds	-1.8
3 Oil Exploration	+0.0	3 Building & Cons	-1.5
4 Printing, Paper	+0.0	4 Engineering, Vehicles	-1.4
5 Electricity	+0.0	5 Engineering	-1.3

Utilities in active session

Water and electricity sectors continued to be buoyed and buffeted in equal measure by recent results and regulatory moves. South Wales Electricity, the latest to report figures, saw profits come in at the top end of market forecasts and its dividend fully meet expectations.

The shares shot forward on the news and sustained the gains through the session, closing 6 up at 635p. Some of the other "recs" trailed back with the market, continuing to nurse a hangover from British Gas, which fell heavily on Wednesday after reacting negatively to the industry regulator's latest move on pricing.

Gas shares slid a further 3 to 268½p. Elsewhere among the recs, East Midland bounced 13 to 592p, Manweb declined 7 to 683p and Midlands edged up 3 to 582p.

Water stocks were largely dull, with dealers reporting a few large sellers in the wake of results from Thames on Wednesday. The company reported large provisions for its non-core businesses and it was fear that other water companies may make similar moves which provoked some selling. In contrast, analysts pronounced themselves pleased with results from Southern, which produced a good dividend increase and an upbeat trading statement. But the sector weakness meant Southern's initial rise was turned into a 5 deficit at 513p by the close. Thames eased 2 to 468p in another day's heavy turnover of 4m.

Smith advances

A steep rise in profits from £38.7m to £95.2m at Smith New Court saw the shares advance 4 to 373p. Analysts were impressed by the stockbroking firm's increasingly international business. Mr Chris Smith at James Capel called it "a very well-balanced set of results; the quality of earnings is going up and it is now more of an investment than a punt on the market". He forecast the current year at or slightly below yesterday's figures, with earnings of between 50p to 60p per share.

Mr Philip Gibbs at BZW said Smith was likely to extend its product range and market share in the current year, and he expected to upgrade his "pretty conservative estimate" for current year profit of £90m.

Turnover in Royal Insurance, up 5 to 260p, was higher than average at 3.3m. The volume was partly due to switching from Sun Alliance, which dropped 12 to 314p on profit-taking after its 12 per cent outperformance in the past fortnight, but was also due to news that Lloyds of London had won a US industrial pollution case. Royal Insurance has one of the largest exposures to pollution damage claims.

Further consideration of yesterday's good results from C.E. Heath boosted the shares 12 to 352p, but accompanying takeover rumours were described as "wide of the mark" by NatWest Securities' Mr Tony Silverman. Bradstock Group's 5 per cent profits increase left the shares unchanged at 114p.

A profits warning from merchant bank Rea Brothers pushed it down 13 to 62p.

Royal Bank of Scotland bucked the market trend, rising 12 to 422p after a buy note from Credit Lyonnais Laing. Mr Martin Hughes said the bank offered excellent prospects not shown by other banks, with growth expected in business and dividends. Abbey National dipped 5 to 422p, with NatWest Securities rumoured to be negative but Goldman Sachs rumoured positive. Other banks eased back from yesterday's gains.

The recovery in the oil price boosted oil giant BP, offsetting recent concern that the ban on the export of Alaska crude may not be lifted following objections in the US Congress. The shares gained 3 at 408¼p in trade of 11m.

The firmer oil price also helped Enterprise Oil, the shares advancing 7 to 398p, as talk that its bid for Lasmo would fail continued circulate. However, the oils team at Strauss Turnbull believe Lasmo investors should accept the offer particularly because, "the revised bid terms confer benefits on Lasmo share holders at the expense of Enterprise share holders".

The day's turnover in Enterprise of 2.9m was said to have included a block of 175,000 bought at a 2p premium for the new account which begins on Monday. Lasmo eased 2½ to 141p, as the bid interest in the stock continued to fade.

Two-way business in Shell Transport brought volume of 4.6m as the shares closed unchanged at 714p.

Kleinwort Benson, the UK merchant bank and securities house, changed from a cautious stance on the brewering sector to one of "cautiously optimistic." Analyst Mr Andrew Holland said that recent results and company meetings had seemed to indicate that the worst of the wholesale price war was now over. "All the bad news on discounting is now in the share prices," he said. "We could see some modest upturns from here." The broker removed Scottish and Newcastle from its sell list. The shares firmed a penny to 518p.

Hints from the Bank of England that interest rates will have to rise hit builders and building material groups hard. Among the former, Barratt Developments fell 10½ to 189½p, J Laing 9½ to 282½p, Persimmon 5 to 237p, and Taylor Woodrow 7 to 124p. Materials groups included Marley off 9 at 139p, Hepworth 14 to 307p, Redland 20 to 470p and RMC 35 to 813p.

High street retailers were also undermined by the rate rise specualtion and mixed retail sales figures. Kingfisher slid 8 to 502p, and Great Universal Stores dropped 6 to 573p. But Dixons was 3 firmer at 191p as the figures showed electrical sales stronger.

Fears about the take-up of the shares from its recent rights issue continued to dog Channel tunnel operator Eurotunnel which left the shares trailing 14 to 303p. Dealers reported some confusion in dealing forms for private clients wishing to take up the issue.

News of the restructuring of the Milk Marketing Board saw gains from Unigate, up 4 at 391p, and Northern Foods, up 2 at 217p.

Figures below market expectations left Alvis 6 lighter at 66p.

The day's biggest volume was recorded in British Steel as active two-way business sent turnover up to 16m. The shares closed unchanged at 136½p.

Allied Leisure slipped 2 to 25p after announcing it is to take an exceptional charge in its accounts for the current year.

MARKET REPORTERS:
Christopher Price,
Clare Gascoigne,
Joel Kibazo.

■ Other statistics, Page 25

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (34).

BANKS (1) Toyo Tst. & Bkg., BREWERIES (1) Hok (4), BUILDING & CNSTRN (1) Kajima, DISTRIBUTORS (2) DIVERSIFIED INDLS (1) Western, ELECTRNC & ELECT EQUP (1) Dewhurst A, ENG, VEHICLES (1) Bostrom, EXTRACTIVE INDS (2) HOUSEHOLD GOODS (2) Osborne & Little, Swallowfield, INSURANCE (1) Hogg, INVESTMENT TRUSTS (2) MEDIA (2) Dorling Kindersley, Metro Radio, OIL, INTEGRATED (1) Mobil, OTHER FINANCIAL (1) OTHER SERVS & BUSNS (1) PRTNG, PAPER & PACKG (1) Tinsley Robor, RETAILERS, GENERAL (3) Austin Reed, French Connection, Liberty, SUPPORT SERVS (2) Admiral, Manpower, TEXTILES & APPAREL (1) Wensum, SOUTH AFRICANS (1).

NEW LOWS (226).

GILTS (5) OTHER FIXED INTEREST (1) BANKS (1) Nat. Australia, BREWERIES (3) Ascot, Fosters, Greene King, BUILDING & CNSTRN (17) BLDG MATLS & MCHTS (17) CHEMICALS (1) Scapa, DISTRIBUTORS (4) Catlyns, Diploma, Heritage, IBA Intl., DIVERSIFIED INDLS (6) Adwest, Bibby (J), Hanson 9¾pc Cnv. Bd., Harrisons & Crosfield, Lonrho, Pacific Dunlop, ELECTRNC & ELECT EQUP (2) Southern Business, Volex, ENGINEERING (12) ENG, VEHICLES (1) Daimler-Benz, EXTRACTIVE INDS (6) FOOD MANUF (6) Albert Fisher, Assoc. Brit. Foods, Avonmore A, Cadbury Schweppes, Dalgety, Usborne, HEALTH CARE (2) Nestor-BNA, United Drug, HOUSEHOLD GOODS (4) Black (P), Lionheart, Silentnight, Stoddard, INSURANCE (6) INVESTMENT TRUSTS (37) INVESTMENT COMPANIES (6) LEISURE & HOTELS (3) Allied, Magnolia, LIFE ASSURANCE (2) MEDIA (6) Birkdale, Daily Mail A, Scottish TV, SelecTV, Trinity Intl., MERCHANT BANKS (1) Hambros 7¾pc Cnv. Pf., OIL EXPLORATION & PROD (1) Hardy Oil & Gas, OIL, INTEGRATED (1) Exxon, OTHER FINANCIAL (6) OTHER SERVS & BUSNS (1) Sutcliffe Speakman, PHARMACEUTICALS (3) Grampian, Hafslund Nycomed A, Do B, PRTNG, PAPER & PACKG (6) PROPERTY (15) RETAILERS, FOOD (3) Brake Bros., Fitzwilton, Tesco Cap. 9pc Cnv. 2005, RETAILERS, GENERAL (7) SUPPORT SERVS (6) TELECOMMUNICATIONS (1) Security Services, TEXTILES & APPAREL (10) TRANSPORT (5) Assoc. Brit. Ports, Dawsongroup, NFC, Ocean, Transport Dev., AMERICANS (1) CANADIANS (12).

EQUITY FUTURES AND OPTIONS TRADING

Nervous trading following a Bank of England warning on interest rates marked the last full day of dealings in the current index futures and share options contracts, *writes Joel Kibazo.*

In Liffe futures, the June contract on the FT-SE 100, which will cease trading this morning, traded in a tight range of around 10 points for most of the session. Having opened at 3,015, it touched a low of 3,012 and a high of 3,034, although most of the day's trading was carried out around the 3,025 level.

Dealers continued to roll positions forward into the September contract, which assumes the market leader position after today's mid-morning expiry. The decline in UK gilts was said to have had a less than usual impact on trading.

The June contract closed at 3,025, down 17 from its previous close and at a 4-point discount to cash. Volume in June was a hefty 21,111 lots, and some 12,516 were dealt in the September contract.

In traded options, which today see the expiry of the June index options, total volume was 35,783, against 33,182 in the previous day. The FT-SE 100 option traded 15,100 contracts. Argyll was the busiest stock option with 3,260 lots dealt, but the single biggest trade was carried out in Pilkington, one house selling 2,000 of the November 180 calls at 11½p.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3015.0	3025.5	-16.5	3035.0	3012.0	21111	20320
Sep	3027.0	3035.0	-19.0	3045.0	3024.0	12516	39963
Dec	-	3045.5	-18.5	-	-	0	762

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3540.0	3540.0	-18.0	3540.0	3540.0	684	2617
Sep	3552.0	3552.0	-18.0	3552.0	3552.0	684	3000

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	3535.0	-	-	-	-	771

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3029) £10 per full index point

	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P
Jun	179½	½	129½	½	79½	½	29½	2½	1	27	½	75½	½	125	½	175
Jul	199	11	147½	19½	109½	31½	74½	46	48½	71	27½	101½	15	139½	7	183½
Aug	210	29½	172	41	135½	54½	106	74	78½	95½	55	124	37	156½	23½	194
Sep	225	42	189½	54½	154	69½	124	89½	94	111½	73	143	53	171	40	207
Dec†			226½	88			168½	127½			119	175½			78½	234

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	5,000	55	
Abbey National†	2,000	422	-5
Albert Fisher	641	53	
Allied-Lyons†	1,100	569	-6
Anglian Water	1,700	602	-5
Argos	85	340½	-4½
Argyll Group†	10,000	252	+8
Arjo Wiggins†	810	274	-1
Assoc. Brit. Foods†	705	516	-1
Assoc. Brit. Ports	625	235	
BAA†	342	936	-2

[illegible]

FT - SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied-Lyons	540	38½	59½	–	7	15½	–
(*568)	589	11½	27	–	29½	38½	–
Argyll	240	14	23	27½	9	14	19
(*252)	260	4½	13½	18½	22	26	31
ASDA	50	7	8½	10½	1½	4	4½
(*55)	60	2	4	6	6½	10	11

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Hanson	240	18½	23½	28½	3½	8½	12
(*252)	260	7½	12	16½	13	16½	22
Lasmo	134	13	18	–	5½	9½	–
(*141)	154	4	9	–	17	20½	–
Lucas Inds	160	23½	28	36	3	8	10½
(*178)	180	9½	16½	18	10½	17½	20½

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	[illegible]	[illegible]	[illegible]
Other Fixed Interest	[illegible]	[illegible]	[illegible]
Mineral Extraction	[illegible]	[illegible]	[illegible]
General Manufacturers	[illegible]	[illegible]	[illegible]
Consumer Goods	[illegible]	[illegible]	[illegible]
Services	[illegible]	[illegible]	[illegible]
Utilities	[illegible]	[illegible]	[illegible]
Financials	[illegible]	[illegible]	[illegible]
Investment Trusts	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	355	886	1432

TRADITIONAL OPTIONS

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

FT GOLD MINES INDEX

[illegible]

BANKS

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1994 high	low	Yld Gr's	NAV	Dis or Pm(-)
River Plate Inc	N□	119	—	113	106	10.4	–	–
Cap	□	86	—	118	82	–	141.4	38.2
Warrants		4	—	11	4	–	–	–
Zero Div Pf		84¼	—	80¼	83¼	–	–	–
St Andrew	N	308	—	343	290	3.2	324.1	5.0
St David's Inc	N	137xd	—	142	124	13.2	–	–
Cap		173	—	223	173	–	255.6	32.3
Zero Prf		144	-½	161½	142½	–	–	–
Saracen Value	□	88	—	98	87	–	94.5	6.9
Warrants	□	27	—	43	20	–	–	–
SPLIT Inc		186	-2	210	170	22.3	–	–
Cap		1083	-7	1235	1073	–	1263.3	14.3
Schroder UK Gwth	□	95	+1	99	90½	–	89.3	-6.0
Warrants	□	36	—	38	33	–	–	–
Schroder Spilt Inc	□	111xd	—	129	111	8.1	–	–
Capital	□	28½	—	37	27½	–	71.4	58.7
Zero Div Pf		104	-¾	113½	103¾	–	–	–
Scot American	♣†N□	161½xd	-1	186	159½	3.6	180.3	10.4
Scot East	♣N□	82¼	-½	97½	79¼	2.4	94.3	12.8
Scottish Inv	♣†N□	222xd	-½	262½	215½	2.8	258.1	13.6
Warrants	□	65	-1	100½	58½	–	–	–
Scot Mortgage	♣N□	223xd	-1	264½	216½	2.3	249.7	10.7
Scot National Inc	♣N□	90xd	—	108½	98	9.5	–	–
Cap	□	41	—	55	37	–	48.6	15.6
Stepped Pf		154	—	162	153	4.9	–	–
Zero Div Pf		227	—	236½	226½	–	–	–
Warrants		6	—	10	5½	–	–	–
Scot Value	♣†N□	118xd	—	133½	116½	2.1	117.5	-.4
Sec Alliance	♣†N	1580	-5	1785	1574	3.1	1724.4	7.8
Second Consid	♣N□	85	—	96¾	91½	3.0	111.8	15.0
Second Market	♣aN	462	-5	503	447	0.5	476.5	3.0
Sec Tst Scot	♣N□	85xd	-½	108	84½	4.6	86.6	-1.6
Select Assets	♣N□	157	-2	176	152	1.2	191.8	18.1
Eq Ind Sed		159	-1	177	149	3.5	–	–
Eq Ind Sed		160	-1	177	149	3.5	–	–
SHIRESCOT	♣K	146xd	—	161	142	4.8	145.9	-.1
Shires	♣N	280	-3	345	280	7.6	263.0	-6.1
Siam Select	♣N	147	—	178	139	0.5	186.7	21.3

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's
Toronto-Dom		9½xd	-⅛	11¾	9½	2,861	4.3
Trans Can Pipe	♥	8¼	-⅛	10⅞	8¼	1,488	5.1

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£27½	—	£27½	£13½	1,781	2.7	20.1
Barlow		£5¼	—	£5½	£3⅓	1,039	6.3	9.5
Gold Flds Prop R		101	—	105	76	10.3	9.9	9.0
NK Props	s	85	—	95	85	3.42	10.5	34.9
SASOL	♥	347	+1	382	280	1,988	4.5	–
SA Brews		£13⅝xd	—	£15⅞	£10	7,118	2.1	21.9
Tiger Oats	†	675xd	—	838	538	1,014	2.3	14.3
Tongaat-Hulett		724	+17	724	434	541.9	2.1	20.2

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⊕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
o Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on MMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT7285. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Thornton Unit Managers Ltd - Contd.

Waverley Unit Tst Mngmt Ltd (1000)F

Whittingdale Unit Tst Mgmt Ltd (0830)F

2 Honey Lane, London EC2V 8BT

OTHER UK UNIT TRUSTS

INSURANCES

Abbey Life Assurance Co Ltd - Contd.

Abbey National Life Plc

Century Life Plc

City of Westminster Assurance

Clerical Medical/Fidelity Investments

Clerical Medical Investment Group

Friends Provident

Irish Life Assurance Co Plc - Contd.

MGM Assurance

Norwich Union Life Insurance Soc. - Contd.

Prudential Individual Pension Funds

FT MANAGED FUNDS SERVICE

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Scottish Mutual Assurance plc

Sun Alliance Group - Contd.

CMI Insurance Co Ltd - Contd.

Scottish Provident Intl Life Ass Ltd - Contd.

Sun Alliance International Life

Hambros Fd Mgrs (CI) Ltd

Yamaichi Capital Management (Guernsey) Ltd

Dresdner International Mngt Services Ltd

Dunedin Unit Trust Managers (Ireland) Ltd

GT Asset Management (Ireland) Ltd

Capital House Fund Mgrs - Contd.

Coutts & Co (Jersey) Fund Managers Ltd

IRELAND (SIB RECOGNISED)

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

IRELAND (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Schlesinger Kemp-Gee Mngmt., Jersey

TSB Trust Funds (CI)

Warburg Asset Management Jersey Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

Abtrust Fund Mngrs Luxembourg SA (u)

13 rue Goethe L-1637 Luxembourg 010 352 4045481

American Phoenix Investment Portfolios (u)

Fleming Group - Contd.

Foreign & Colonial Emerging Markets Ltd (u)

Exchange Ho, Primrose St, Ldn, EC2A 2NY 071-628 1234

Frontrunner I (u)

Gartmore Luxembourg SA (u)

HSBC Investment Funds Luxembourg SA (u)

S.G. Warburg Asset Mngmt Lux SA

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

CURRENCIES AND MONEY

MARKETS REPORT

Dollar gyrates

The dollar was bounced around in choppy trading conditions yesterday as bearish sentiment tested the US currency's technical lows against the D-Mark and growing tensions in North Korea helped the dollar off its floors against the yen, *writes Motoko Rich*.

A fall in the US bond market dragged the dollar down but intervention by the Bank of Japan in support of the US currency and better-than-expected US economic data gave the dollar a boost.

The dollar closed in London at DM1.6319 against the D-Mark from DM1.6354 and at Y103.335 from Y102.750.

The safe haven Swiss franc benefited from war talk about North Korea and gained from views that the Swiss economy is the healthiest in Europe.

■ In early sessions, the market tried to break through DM1.6280, a level seen as significant by technical analysts. The US currency dropped below DM1.63 for the first time since October.

"The dollar has had a sluggish performance because the factors that have been hurting it in the long term are still there," said Mr David Cocker, economist at Chemical Bank. "There is uncertainty on the US-Japan trade front and the market maintains a very positive outlook on the European recovery, which has particularly benefited the D-Mark."

While tough talking from North Korea and a rumour that a US helicopter had been downed in South Korea buoyed the dollar against the yen, escalating tensions in the region provoked a fall in the US bond market, which is having a knock-on effect on the dollar.

"Developments in North Korea have been upsetting commodity prices, especially oil, and have been interpreted as adding inflationary pressures to the US," said Mr Jeremy Hawkins, senior economic adviser at Bank of America.

He said concerns about rising inflation in the US have prompted nervous investors, fearing interest rate rises, to retreat from US Treasuries, a move reflected in the US currency market.

Source: FT Graphite

■ Pound in New York

Jun 16	— Latest —	— Prev. close —
£ spot	1.5206	1.5213
1 mth	1.5198	1.5205
3 mth	1.5185	1.5211
1 yr	1.5128	1.5141

A decent batch of US statistics pushed the dollar up in afternoon trading. US May housing starts were well above forecasts, rising 2.6 per cent after a 3.1 per cent drop in April. Analysts had expected the May figure to fall. Housing permits dropped 1.6 per cent in May, however, indicating a future slowdown.

Initial jobless claims fell more than expected to 348,000 from 359,000 in the previous week. The Philadelphia Fed index rose to 16.1 in June from 14.8 in May.

While these figures lent support to the US currency, the market remained gloomy on the dollar.

"The mood in the market is that if it can't rally against all the news that has been thrown at it, then it must be going down," said Mr Nick Parsons, economist at CIBC.

The Canadian dollar followed the US currency down and plummeted to C$1.393 against the US dollar from C$1.386. "If the US dollar has a bad day then the Canadian dollar has an even worse day," said Mr Parsons.

It is thought that the Canadian authorities have intervened to stem the tide against the Canadian dollar.

■ The Swiss franc fell back from highs against the dollar and the D-Mark but maintained a strong upward bias as investors flooded toward the Swiss currency in search of a safe haven in the light of developments in North Korea.

Some analysts believed North Korea was a small factor in the Swiss franc's strength. "I think the view that Swiss interest rates have reached bottom and that the Swiss economy is slightly better than the German economy has helped the franc," said Mr Peter Luxton, economic adviser at Barclays Bank.

He also said the collapse in the European bond market helped the Swiss franc, but also the D-Mark. Mr Luxton said the D-Mark was further strengthened by remarks the Bundesbank made in its June monthly report. "The recessionary tendencies in the west German economy appear to have been overcome," the central bank said.

The D-Mark closed at FFr3.413 from FFr3.410 and at L981.0 from L973.5. German call money was quoted in a range of 5.00/10 per cent and the market was well supplied with liquidity.

■ Sterling lost overnight gains made after the Chancellor's Mansion House speech and comments by Bank of England Governor Eddie George, in which he signalled a future interest rate rise.

The pound was unaffected by slightly weaker than forecast retail sales figures and an improved public sector borrowing rate.

Sterling closed in London at DM2.4805 from DM2.4862 and virtually unchanged at $1.5201 from $1.5203. The Bank of England provided liquidity of £339m at the established rate after forecasting a shortage of £400m. The overnight lending rate traded between 5⅝ and 2 per cent.

In the futures market, the short sterling contract for December closed at 93.76 from 93.94. The December euromark contract closed at 94.81 from 94.85.

■ OTHER CURRENCIES

Jun 16	£	$
Hungary	158.741 - 158.966	103.140 - 103.240
Iran	2655.00 - 2683.00	1745.00 - 1750.00
Kuwait	0.4518 - 0.4528	0.2973 - 0.2976
Poland	34269.2 - 34330.6	22550.0 - 22580.0
Russia	2973.31 - 2983.96	1959.00 - 1963.00
U.A.E.	5.5765 - 5.5879	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

EMS EUROPEAN CURRENCY UNIT RATES

■ D-MARK FUTURES (IMM) DM 125,000 per DM

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

■ STERLING FUTURES (IMM) £62,500 per £

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

■ THREE MONTH EUROLIRA INT RATE FUTURES (LIFFE) L1000m points of 100%

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

UK INTEREST RATES

LONDON MONEY RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

BASE LENDING RATES

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 16 / Sch)

BELGIUM/LUXEMBOURG (Jun 16 / Frs.)

DENMARK (Jun 16 / Kr)

FINLAND (Jun 16 / Mks)

FRANCE (Jun 16 / Frs.)

GERMANY (Jun 16 / Dm.)

ITALY (Jun 16 / Lire)

NETHERLANDS (Jun 16 / Fls.)

NORWAY (Jun 16 / Kroner)

SPAIN (Jun 16 / Pts.)

SWEDEN (Jun 16 / Kronor)

SWITZERLAND (Jun 16 / Frs.)

PACIFIC

JAPAN (Jun 16 / Yen)

HONG KONG (Jun 16 / H.K.$)

MALAYSIA (Jun 16 / MYR)

SINGAPORE (Jun 16 / S$)

AUSTRALIA (Jun 16 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Jun 16 / Can $)
4 pm close

MONTREAL (Jun 16 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Jun 16 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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(t) Owing to problems at source, some changes in today's FT are based on prices for June 14.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, June 16, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
M'bishi Hvy	9.6m	797	−1	Oki Electric	4.3m	775	+5
Sumitomo Metal	5.8m	974	+2	Isuzu Motors	3.6m	537	+8
Brother Ind	5.3m	783	+27	Minebea	3.6m	885	+11
M'bishi Mat	4.5m	575	+25	Yokohama Rubber	3.5m	736	+12
Nippon Steel	4.4m	360	−2	Aoki Corp	3.4m	527	+12

INDICES

	Jun 16	Jun 15	Jun 14	1994 High		1994 Low	
WORLD							
MS Capital Int (1/1/70)$	619.5*	622.7	624.3	641.08	1/2	591.80	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1355.76	1376.41	1383.94	1549.19	31/1	1355.76	16/6
Euro Top-100 (26/6/90)	1186.45	1200.36	1207.17	1311.81	2/2	1186.45	16/6
JCapelDgns (31/12/88)	(u)	313.20	311.98	365.19	5/1	290.28	21/3
Barings Emerg(7/1/92)	158.18	156.37	158.15	182.72	14/2	141.85	21/4

	Jun 16	Jun 15	Jun 14	1994 High		1994 Low	
Nikkei 300 (1/10/82)	308.55	308.5	309.66	311.71	13/6	288.22	4/1
Topix (4/1/68)	1698.53	1698.27	1702.80	1712.73	13/6	1446.97	4/1
2nd Section (4/1/68)	2447.73	2437.37	2425.94	2447.73	16/6	1873.39	4/1
Malaysia							
KLSE Comp.(4/4/86)	1032.39	1028.95	1013.49	1314.46	5/1	928.33	4/4

** Sat Jun 11 : Taiwan Weighted Price 6073.43; Korea Comp Ex 918.80. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jun 16 - 2047.29 -25.92

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Jun	1933.0	1930.0	-23.0	1942.0	1922.0	27,976	49,237
Jul	1929.5	1926.5	-23.0	1936.0	1920.0	1,354	6,580
Sep	1945.5	1942.5	-23.5	1952.0	1687.5	861	15,556

Open interest figures for previous day.

US INDICES

Industrials¶	534.87	536.56	532.32	588.59 (2/2)	510.05 (21/4)	588.59 (2/2/94)	3.82 (21/6/82)
Financial	46.76	46.94	46.86	49.94 (14/6)	41.39 (4/4)	49.49 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	254.14	255.10	253.79	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	442.27	442.85	441.19	487.89 (2/2)	427.60 (20/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	735.84	735.98	731.70	803.93 (18/3)	705.51 (20/4)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jun 10	Jun 3	May 27	Year ago
Dow Jones Ind. Div. Yield	2.68	2.66	2.69	2.93
	Jun 15	Jun 8	Jun 1	Year ago
S & P Ind. Div. yield	2.42	2.44	2.47	2.51
S & P Ind. P/E ratio	23.51	23.31	23.41	25.42

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Jun	460.10	460.00	-0.35	460.20	459.50	23,094	69,996
Sep	461.95	461.55	-0.30	461.95	461.15	80,521	172,001
Dec	464.00	464.00	-0.30	464.00	463.70	279	8,584

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Int Game	8,101,900	19¾	-1¼
Exxon	4,240,200	57	-1⅞
Gen Motors	3,423,700	54	+⅜
Pepsico	3,333,000	32	+⅛
Chrysler	3,082,200	50⅝	+½
Telefonos	2,843,900	59	-⅜
Gen Elec	2,818,800	47⅝	-⅛
Motorola	2,624,000	48	+⅛
Countrywide	2,558,100	15⅝	-⅛
Grupo Iusa	2,548,200	29	....

■ TRADING ACTIVITY

● Volume (million)

	Jun 15	Jun 14	Jun 13
New York SE	269.805	268.379	243.358
Amex	14.878	16.802	14.452
NASDAQ	295.282	280.887	213.110
NYSE			
Issues Traded	2,814	2,825	2,816
Rises	948	1,284	1,044
Falls	1,178	816	1,017
Unchanged	688	725	755
New Highs	42	60	32
New Lows	35	35	44

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close June 16

1994 High	1994 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17 3/8	14 1/8	AAR	0.48	3.3	487	387	14 7/8	14 5/8	14 5/8	-1/4
18 7/8	13 3/4	A L Labs A	0.18	1.3	32	104	14	13 3/4	14	+1/8
68	57 3/8	AMP	1.68	2.6	22	1288	65	64 7/8	65	+1/4
72 3/4	52 1/8	AMR			30	4675	58 1/4	57	58 1/4	+1 5/8
5	3 5/8	ARX			14	276	4 3/8	4 1/4	4 1/4	
58 1/8	38 5/8	ASA	2.00	4.6	28	644	44 5/8	43 5/8	43 3/4	-1/2
31 3/8	25 3/8	AbbtL	0.76	2.5	17	8295	30 1/2	30 1/4	30 3/8	-1/4
13 3/4	11 3/8	AbitibiPr	0.50	4.1	6	12	12 1/4	12 1/8	12 1/4	
22 1/4	17 3/4	ABM Ind	0.52	2.3		80	u22 1/2	21 7/8	22 1/2	+1/4
13 3/4	11 1/8	Acpincain			24	110	13 1/4	13	13 1/4	+1/2
31	24 1/2	ACE Ltd	0.44	1.7	4	78	25 3/4	25 1/4	25 3/4	
12 1/2	10 1/8	ACM Gvt In	1.09	9.6		237	11 3/8	11 1/4	11 3/8	
10 1/8	7 7/8	ACM GvOpp	0.80	9.4		35	8 1/2	8 3/8	8 1/2	
10 5/8	6 5/8	ACM Gvt Sp	0.96	10.8		278	8 7/8	8 3/4	8 7/8	
12	9 1/8	ACM Gvt Se	1.09	10.9		103	10 1/8	10	10	
11 3/4	8 3/4	ACM Man	1.08	11.1		226	9 3/4	9 5/8	9 3/4	
9 3/4	8	ACM Mscopd	0.72	8.5		23	8 1/2	8 1/2	8 1/2	
15 1/2	8 3/4	AcmeClv	0.44	4.0	13	80	11	10 7/8	11	+1/8
9 1/4	6 5/8	Acme Elect			9	12	7 1/4	7 1/8	7 1/4	+1/8
28 3/4	23	Acordia x	0.60	2.1	14	12	28 1/4	28 1/8	28 1/4	+1/8
9 3/8	5 3/4	Actava	0.35	4.0	3	218	9	8 7/8	9	
15 5/8	11 1/4	Acuson			113	210	14 7/8	14 5/8	14 3/4	+1/8
18 3/8	16 1/2	Adams Expr	0.48	2.8	0	167	17 1/2	17 1/4	17 3/8	
64	46 1/2	Ad Micro	3.00	5.6		91	55 1/4	54	54	-1/2
31 3/4	16 3/4	AdvMic	3.00	11.5	11	5779	26 7/8	25 7/8	26	-1/2
6 7/8	5	Advest Grp	0.16	2.8	8	118	5 5/8	5 5/8	5 5/8	
20	16 3/4	Advo Inc	0.10	0.6	111	15	16 3/4	16 1/2	16 3/4	+1/4
57 1/4	49 3/8	Aegon ADR	2.95	5.6	11	6	52 3/4	52	52 3/4	+1/2
65 3/4	49 3/4	AetnaL	2.76	4.9	8	1245	57	56 1/8	56 3/4	+1/2
34 7/8	25 1/4	Aflac	0.46	1.4	14	1736	34	33 1/4	34	+5/8
20 3/4	16 3/8	Ahmson	0.88	4.5	13	810	20 1/8	19 3/4	19 3/4	-3/8
4	1 3/8	Aileen Inc			1	100	2 1/4	2 1/4	2 1/4	
49 7/8	38 7/8	AirPrC	0.92	2.1	23	835	43 3/4	42 1/2	43 1/8	+1/4
39 7/8	31 1/2	Airbne Frt	0.30	0.8	22	1018	36 7/8	36 3/8	36 7/8	+3/8
27 1/4	19 3/4	Airgas Inc			47	130	27	26 1/8	27	+1
16 3/8	14 3/4	Airlease	1.84	11.2	12	36	u16 1/2	16 3/8	16 1/2	+1/4
26 3/4	21 3/8	AirTch				6833	24 7/8	24 1/2	24 3/4	
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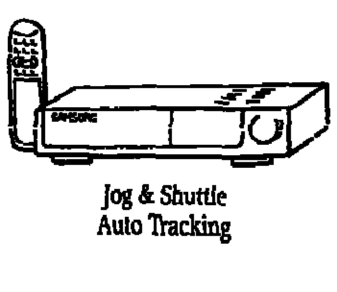

Jog & Shuttle
Auto Tracking

SAMSUNG ELECTRONICS

Continued on next page

4 pm close June 16

NYSE COMPOSITE PRICES

Continued from previous page

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NASDAQ NATIONAL MARKET

4 pm close June 16

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AMEX COMPOSITE PRICES

4 pm close June 16

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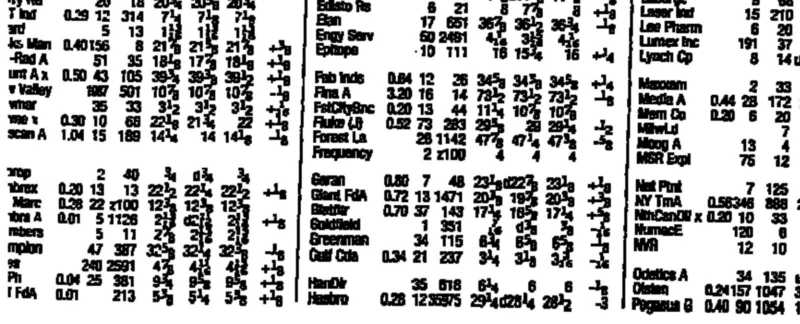


AMERICA

Data aid Dow to overcome early worries

Wall Street

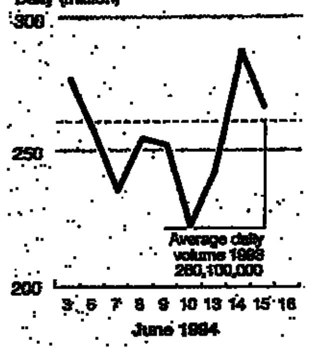
Blue chips pushed moderately higher as investors took strong economic news as a positive sign, and shrugged off early weakness in bonds, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 11.73 ahead at 3,802.14. But the more broadly based Standard & Poor's 500 lagged behind, climbing a scant 0.37 to 460.98, as declines led advances by 1,024 to 895. The American SE composite lost 1.69 at 440.58 and the Nasdaq composite shed 1.71 to 734.13.

While the Dow industrials were never completely decoupled from the trend in bonds yesterday morning, the benchmark index did assert a measure of independence.

The morning's economic news was consistent with the view that the economy remained on sound footing, in spite of the recent rise in interest rates. However, many investors were concerned by the inflationary implications of the day's data, and such worries were even more apparent in the secondary markets.

NYSE volume



The Commerce Department said that housing starts had climbed 2.6 per cent in May, confounding expectations of a 0.8 per cent decline. Initial claims for unemployment benefit showed a marked decline of 11,000 compared with last week. Thirdly, the monthly survey of business conditions by the Federal Reserve of Philadelphia was generally positive.

But most of the data was clearly unfavourable to bonds, which extended heavy losses struck the previous session in early trading yesterday. Nevertheless, blue chips opened in positive ground and remained there. A subsequent reversal by bonds, thanks to a softer tone in commodity prices, was a bonus.

In a switch from experience early in the week, Exxon assumed the leadership in the Dow's modest rally. Most of the other components moved in a very narrow range.

Exxon, which had reached a 52-week low during the previous session, climbed $1⅛ to $58⅞ as bargain hunters came to the fore. A commitment by OPEC ministers meeting in Vienna to hold current production levels was also supportive, though most other oil stocks were little changed.

Chevron, however, slipped $⅝ to $44⅝ after Mr Eugene Nowak, an analyst at Dean Witter Reynolds, sharply cut his estimates of the group's operating income.

Utility stocks were generally weaker, as the Dow Jones Utility Index fell 1.31 at 184.95.

Entergy, a New Orleans-based gas and electricity supplier, dropped $2⅝ to $26½ after analysts came away from a company briefing with an unfavourable view of its growth outlook. Both Merrill Lynch and Kidder Peabody downgraded the issue.

Merrill Lynch also lowered its rating on Wisconsin Energy, and the stock slumped $⅝ to $24⅝.

In banking, Shawmut National weakened $1⅝ to $21⅝ after trading was halted on an order imbalance. Mr Steve Berman, a NatWest Securities analyst, had reduced his rating on the issue to "underperform" from "hold" and lowered his 1994 earnings estimate for the company.

Several other banking issues suffered sharp setbacks. First Chicago lost $2⅛ to $50⅝, NationsBank shed $1⅛ to $54⅝ and First Interstate dropped $2 to $77¼.

On the Nasdaq, Apple Computer receded $1 3/16 to $26¼ and Oracle was $1 5/16 lower at $36⅝.

Canada

Toronto recovered from early lows at midday, although the TSE 300 composite index was still 14.62 easier at 4,151.65 in volume of 36m shares. Declines led rises by 409 to 198, with 283 issues unchanged.

Canadian bonds led the bounce back, while the local currency also firmed.

All Toronto's sub-indices were down at midday with the exception of financial services. CIBC regained C$⅝ at C$29¼, while Bank of Montreal recovered C$⅛ to C$23⅛.

Caracas

Share prices rallied from a weak start to close up on the day after foreign buyers returned to the market. The Merinvest composite index added 2.1 per cent at 146.51, with Electricidad de Caracas climbing 9 bolivars to 388.

Brokers attributed the recovery to buying by a couple of foreign institutions, and added that the banking crisis remained the main focus of concern. The rise in interest rates at the central bank's weekly auction of zero-coupon bonds on Wednesday was said to have had less effect than might have been expected.

S African golds advance 4.5%

Gold shares closed sharply higher in Johannesburg as domestic investors were heartened by the bullion price, which broke out of its narrow trading range to trade just short of the $388 an ounce resistance level.

The golds index, which jumped more than 3 per cent in the first half-hour of trade, ended 94, or 4.5 per cent, ahead at 2,185 in spite of some mild profit-taking near the close.

The rest of the market was mixed in quiet trade after Wednesday's gains, with a stronger financial rand depressing some prices. The overall index gained 27 at 5,774 while industrials receded 13 to 6,744. De Beers closed 75 cents off at R115.25 but Anglos added R1 at R242. Among golds, Vaal Reefs forged ahead R15.50 to R430 and Kloof put on R2.75 at R56.25.

EUROPE

Milan under pressure after interest rate warning

The bear market in bonds continued to wreak havoc in European equity markets, *writes Our Markets Staff.*

MILAN came under renewed pressure as worries about the outlook for the economy and interest rates further soured the mood. The Comit index, which had posted losses on each of the previous five sessions, fell another 14.73, or 2.1 per cent, to 700.69, prompting expectations that it would test support at the 690-point level before upward momentum could be regained.

Mr Tancredi Bianchi, head of the Italian Banking Association, warned late on Wednesday that Italian rates could rise by a full percentage point before the end of the year if there were no change in the international outlook. This compounded an already nervous mood as the new account began with the market facing a hefty round of cash calls.

Blue chips bore the brunt of the selling, with Fiat off L212, or 3.3 per cent, at L6,200, Olivetti down L85, or 3.4 per cent, at L2,405 and Pirelli losing L119, or 4.5 per cent, at L2,519.

Against the trend, Mondadori, which had been marked sharply lower earlier in the week, bounced L1,080, or 7.1 per cent, to L16,380 as its L900bn share offer began.

FRANKFURT was sandbagged again by bond market weakness, said Mr Eckhard Frahm at Merck Finck in Düsseldorf, but it was worried, too, about the weaker dollar, and about technical aspects of the market with DTB contracts due to expire today, and the Daimler rights issue to begin on Monday.

The Dax index fell 19.79 to 2,054.91 on the session, hit 2,040.89 at the bottom of the post-bourse and recovered to 2,047.29 at the end of the day on the hope that there might be some recovery potential on options expiry today.

Turnover fell from DM7.6bn to DM6.7bn. Veba, the energy, chemicals and oils group, recovered intraday, moving from DM498.50, down DM8.90 on the session to DM506 at the end of the afternoon. Merck Finck, Hoare Govett and Goldman Sachs have all lauded the group's earnings potential.

PARIS maintained its downtrend, although early weakness was softened slightly by a further easing from the Bank of France in the intervention rate, something which had largely been discounted by investors.

The CAC-40 index lost 23.58 or 1.2 per cent to 1,942.81, putting in a late spurt at the end of the day to rise above a session low of 1,931.

Baring Securities said that investors should return to the market during the third quarter before the publication of first half results in mid-September/October, likely to show a significant improvement in company earnings.

St Gobain closed unchanged at FFr629 and said that it might increase its stake in Essilor, the manufacturer of spectacle lenses.

Schneider went against the trend, up FFr8.10 to FFr356.90, as it announced that it was to sell FFr700m worth of assets which would bring it a pre-tax capital gain of FFr350-400m.

FT-SE Actuaries Share Indices

Jun 16								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1359.69	1358.88	1360.39	1359.47	1359.02	1360.10	1355.84	1355.76
FT-SE Eurotrack 200	1394.26	1393.78	1395.31	1394.93	1394.92	1395.75	1391.68	1393.07

	Jun 15	Jun 14	Jun 13	Jun 10	Jun 9
FT-SE Eurotrack 100	1376.41	1383.94	1388.52	1411.45	1408.87
FT-SE Eurotrack 200	1409.06	1413.81	1412.64	1432.60	1430.94

Base 1000 (26/10/90); High/day: 100 - 1361.07; 200 - 1396.30 Low/day: 100 - 1355.25 200 - 1391.45

The group also said that it expected to report a significant rise in 1994 profits.

AMSTERDAM closed at a new low for the year as the equity market continued to take its lead from weakness in bonds. The AEX index dipped 5.04 or 1.2 per cent to 395.74, just above the session low of 395.42.

DSM was dragged down by Fl 3.50 to Fl 124.30 as selling on the options exchange took hold. There was also reported switching out of the group into other European chemical groups. Akzo also weakened in line with the day's trend, finishing off Fl 3.00 at Fl 206.70.

Ahold, which reported first quarter profits of some Fl 110m, eased 60 cents to Fl 46.50, while Royal Dutch fell by a similar amount to Fl 198.30 as the oil price hit its highest level for 12 months.

ZURICH failed to sustain an afternoon recovery and the SMI index gave up 35.2 to 2,666.6 in response to the weakness of bonds and the dollar.

Financial shares remained under pressure with UBS bearers losing SFr34 or 2.9 per cent to SFr1,140. CS Holding was SFr15 lower at SFr550 and SBC lost SFr10 to SFr385.

Among pharmaceuticals, Roche certificates gave up SFr80 to SFr6,600 while the recently weak Ciba registered lost SFr1 to SFr825 and Sandoz registered dipped SFr4 to SFr715.

Nestlé fell SFr15 to SFr1,145: UBS, which recommends the stock, commented that the favourable medium-term outlook for the group should help it to outperform its European peer group.

Swissair lost SFr10 to SFr767 as the market awaited a statement after the market closed, following a press report that the group planned to take a near 50 per cent stake in Sabina. In the event, Swissair said it was holding talks with several airlines.

MADRID lost just over 2 per cent, the general index closing 6.49 lower at 311.31 with turnover up again, to nearly Pta44bn. Construction stocks were hardest hit with Dragados down Pta100, or 4.4 per cent to Pta2,090 and Valderrivas Pta480, or 4.1 per cent lower at Pta11,220.

ISTANBUL leapt 7.4 per cent as the supreme court overruled an application to block the government's aim to speed up the privatisation process. The composite index added 1,320.75 to 19,321.67, after touching a midsession high of 19,611.

WARSAW rallied nearly 6 per cent but traders said that the outlook remained mixed. The Wig index rose 452.5 to 8,386.5 and turnover by 34 per cent to 1,200bn zlotys.

Brokers added that the market's rise could signal that the market was bottoming out from a two-week fall, during which the index hit its lowest level since last October.

Written and edited by William Cochrane, John Pitt and Michael Morgan

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Feb 1994	Mar 1994	Apr 1994	May 1994	US $bn
Belgium	95.76	83.75	69.93	73.08	2.16
France	244.62	218.68	145.17	175.15	31.16
Germany	176.59	214.73	188.00	151.07	91.89
Italy	79,109	80,380	105,964	99,228	62.34
Netherlands	32.00	33.10	25.20	21.80	11.82
Spain	1,400.80	1,491.24	1,160.49	1,340.00	9.89
Switzerland	33.90	32.02	23.93	26.12	18.68
UK	59.80	61.14	46.57	44.27	66.99

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: NatWest Securities

European volumes continued to slip back as the summer began to take hold last month. According to Mr James Cornish of NatWest Securities, who compiled the data, turnover in Europe declined by 8.6 per cent in May compared to April, having already fallen by 12 per cent in April from March.

"Once again, it was the fall in US Treasury bond prices that was the main bearish influence on European markets, which failed to benefit from an unexpected cut in German official rates on May 11," he says.

International investors also lifted their sales, with turnover in European stocks traded on Seaq International in London, as a proportion of business in Continental domestic markets, rising to 16.3 per cent in May from 15.8 per cent in April.

France saw the biggest rise in May's activity – in spite of a 6 per cent fall in the index, turnover was up nearly 21 per cent; but, reports Mr Cornish, it was still down 13.6 per cent on the average of the previous three months, "suggesting a resumption of selling pressure under the threat of rights issues and the UAP privatisation".

Italian volumes declined by 6.4 per cent in May after April's record high, with the market itself dropping 8.5 per cent as profits were taken following the victory of Mr Berlusconi in the general election.

ASIA PACIFIC

Hong Kong dips 1.4%, Nikkei makes upward move

Tokyo

Share prices gained ground for the first time in three trading days on buying by individual investors and dealers, but volume remained low due to lingering caution, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average was up 84.51 at 21,367.47 after a day's low of 21,273.95 and high of 21,389.98. Foreign investors, who had been leading buyers during the past few weeks, were absent, as were domestic institutions.

Volume amounted to 382.8m shares, against 468m. The Topix index of all first section stocks put on 0.26 at 1,698.53 while the Nikkei 300 rose 0.05 to 308.55. Advances outnumbered falls by 524 to 475, with 184 issues unchanged. In London the ISE/Nikkei 50 index was 2.05 firmer at 1,394.88.

Traders said that in spite of the day's gains, the correction was likely to continue next week. However, many believe the downside to be limited. "Most corporate and financial investors who wanted to take profits did so when the Nikkei broke through the 21,500 level," said Mr Yasuo Ueki at Nikko Securities.

Meanwhile, rumours that a US hedge fund had bought put options, expecting the index to fall below 20,000, kept many domestic investors nervous.

Dealers took their cue from the rises in crude oil and gold prices on overseas markets, buying up resource-related stocks.

Non-ferrous metals gained ground, including Sumitomo Metal Mining, which firmed Y2 to Y974, Mitsubishi Materials, advancing Y25 to Y575, and Mitsui Mining and Smelting, gaining Y10 at Y458.

Oil shares were also higher, with Teikoku Oil up Y6 to Y798 and Kamei, a petroleum wholesaler, adding Y60 at Y1,490.

Individuals dabbled in speculative favourites. Brother Industries, the sewing machine maker, surged ahead Y27 to Y783, Yokohama Rubber advanced Y12 to Y736 and Minebea rose Y11 to Y885.

Large-capital blue chips continued to face profit-taking. Mitsubishi Heavy Industries, the most active issue of the day, eased Y1 to Y797 and Nippon Steel shed Y2 to Y360.

Banks were lower in spite of the absence of arbitrage selling. Dai-Ichi Kangyo Bank dipped Y10 to Y1,960 and Bank of Tokyo Y20 to Y1,620.

In Osaka, the OSE average receded 15.65 to 23,610.55 in volume of 34.5m shares.

Roundup

A number of regional markets were under pressure.

HONG KONG fell 1.4 per cent, under selling pressure aimed at property shares and with overseas investors seen switching their funds into Japan and the US. The Hang Seng index retreated 126.60 to 9,022.92 in thin turnover of HK$2.84bn.

The property sub-index dropped 2.6 per cent amid worries that the government's recent measures to cool the overheated residential property market could hit the profits of major property developers. Fears were also growing that the government might take action aimed at the commercial property sector.

SYDNEY continued to be undermined by sharply weaker bond prices and equities finished at their lowest level for more than a month. The All Ordinaries index lost 18.4 at 2,056.0. The All Industrials index fell 25.2 to 2,995.6, near to its 10-month low.

MANILA attempted to put a brake on its near two-week decline before late profit-taking again left shares slightly easier. The composite index slipped 5.31 to 2,916.56.

COLOMBO was depressed by declines in shares with a high market capitalisation, and the all-share index fell 19.45 to 928.27 in turnover that jumped to SLRs117m, from SLRs76m on Wednesday.

SEOUL rebounded from two days of steep losses caused by a dispute over North Korea's nuclear programme, and the composite index closed 10.16 better at 901.08 in turnover of Won565.3bn.

TAIPEI lost some of its gains after late profit-taking in electronics stocks, financials still leading as the weighted index ended 34.58 up at 6,149.64.

KARACHI's banks, synthetics and cement stocks attracted investors on the new account day, and the KSE 100 index rose 22.18 to 2,278.80.

BOMBAY climbed on local and foreign buying after Indian Hotels announced a one-for-one scrip issue, the BSE 30-share index closing 40.36 higher at 4,164.06. Indian Hotels rose Rs75 to Rs1,350.

SINGAPORE recovered on a late buying push which took the Straits Times Industrial index from an 18-point loss to a gain of 0.83 at 2,287.34. **KUALA LUMPUR** saw reduced activity, volume falling from 338m shares to 236m as the KLSE composite index ended 3.44 higher at 1,032.39.

BANGKOK's SET index rose 4.91 to 1,364.4, after dipping by more than 11 points in the morning, on bargain hunting, particularly in financials, in the final hour of trading.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY JUNE 15 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY JUNE 14 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	172.96	-0.1	168.68	112.34	147.06	157.50	-0.2	3.50	173.05	169.07	112.30	147.93	157.82	189.15	130.19	134.36
Austria (17)	183.33	1.4	178.79	119.07	155.87	155.75	0.8	1.08	180.71	176.56	117.27	154.48	154.45	195.41	142.90	147.96
Belgium (37)	168.51	0.5	164.33	109.44	143.27	139.76	-0.1	3.95	167.66	163.81	108.80	143.32	139.90	176.67	142.02	144.60
Canada (106)	127.21	-0.7	124.06	82.62	108.15	127.60	-0.7	2.66	128.15	125.21	83.17	109.55	128.49	145.31	121.46	127.76
Denmark (33)	255.49	0.2	249.16	165.94	217.22	222.21	-0.4	1.33	254.97	249.12	165.47	217.96	223.07	275.79	207.58	215.59
Finland (23)	136.56	2.0	133.18	88.69	116.11	157.16	1.6	0.93	133.88	130.80	86.88	114.44	154.72	156.72	85.54	88.30
France (97)	163.94	-0.6	159.89	106.48	139.39	143.42	-1.2	3.14	164.92	161.13	107.02	140.98	145.14	185.37	149.60	153.92
Germany (58)	134.67	0.3	131.34	87.47	114.50	114.50	-0.2	1.81	134.23	131.15	87.11	114.75	114.75	147.07	107.59	112.70
Hong Kong (55)	374.79	0.5	365.52	243.43	318.66	371.96	0.4	3.19	372.97	364.40	242.04	318.84	370.43	509.56	271.42	298.80
Ireland (14)	186.30	0.3	181.69	121.01	158.40	175.75	-0.6	3.46	185.76	181.50	120.55	158.80	176.65	209.33	155.93	161.74
Italy (80)	84.85	-1.4	82.75	55.11	72.14	100.89	-1.8	1.58	86.08	84.08	55.85	73.57	102.75	97.78	57.88	66.18
Japan (468)	165.36	-0.6	161.27	107.40	140.60	107.40	-0.4	0.71	166.10	162.29	107.79	142.00	107.79	166.34	124.54	151.60
Malaysia (98)	483.64	1.8	471.67	314.13	411.21	483.64	1.8	1.57	475.17	464.25	308.37	406.21	474.93	621.63	312.51	347.58
Mexico (18)	1973.19	0.4	1924.34	1281.58	1677.65	7255.29	0.1	1.07	1964.52	1919.36	1274.89	1679.37	7245.97	2647.08	1447.29	1447.29
Netherland (27)	201.41	0.6	196.42	130.82	171.26	168.32	0.0	3.38	200.20	195.60	129.92	171.15	168.27	207.43	164.22	168.90
New Zealand (14)	68.73	1.7	67.03	44.64	58.44	62.17	1.5	3.85	67.61	66.06	43.88	57.80	61.27	77.59	48.80	49.07
Norway (23)	185.43	0.9	180.84	120.44	157.66	178.63	0.4	1.89	183.77	179.54	119.26	157.09	177.85	206.42	150.61	152.93
Singapore (44)	340.05	0.9	331.63	220.86	289.12	240.07	0.9	1.75	336.89	329.15	218.63	287.99	237.82	378.92	242.48	253.09
South Africa (59)	279.54	-0.3	272.62	181.56	237.67	292.36	-0.7	2.16	280.34	273.90	181.93	239.65	294.42	280.34	175.93	193.41
Spain (42)	142.09	-1.1	138.57	92.29	120.81	144.91	-1.6	3.99	143.72	140.41	93.27	122.85	147.20	155.79	116.33	130.08
Sweden (36)	214.79	1.0	209.48	139.51	182.63	249.72	0.4	1.60	212.64	207.76	138.00	181.78	248.68	231.35	163.85	176.12
Switzerland (47)	161.35	-0.2	157.36	104.80	137.18	137.39	-1.1	1.77	161.69	157.97	104.93	138.22	138.93	176.56	124.46	126.16
United Kingdom (205)	188.93	0.3	184.26	122.71	160.64	184.26	0.1	4.08	188.37	184.04	122.24	161.03	184.04	214.96	170.32	177.50
USA (519)	187.78	-0.4	183.13	121.96	159.65	187.78	-0.4	2.86	188.49	184.16	122.32	161.13	188.49	196.04	178.95	182.30
EUROPE (718)	164.94	0.1	160.86	107.13	140.24	152.78	-0.4	3.06	164.85	161.06	106.98	140.92	153.37	178.58	141.58	145.32
Nordic (116)	204.17	0.9	199.11	132.61	173.59	205.13	0.4	1.46	202.27	197.62	131.26	172.91	204.35	220.60	155.82	164.15
Pacific Basin (750)	172.95	-0.3	168.67	112.33	147.05	117.04	-0.2	1.03	173.44	169.45	112.55	148.27	117.30	178.76	134.79	155.17
Euro-Pacific (1468)	169.45	-0.1	165.26	110.06	144.07	131.65	-0.3	1.86	169.69	165.79	110.12	145.06	132.03	170.78	141.98	151.02
North America (625)	184.02	-0.4	179.47	119.52	156.46	183.68	-0.4	2.85	184.75	180.50	119.89	157.93	184.38	192.73	175.67	178.92
Europe Ex. UK (514)	148.34	-0.1	144.67	96.35	126.12	133.58	-0.7	2.45	148.47	145.05	96.35	126.92	134.50	157.47	122.37	125.45
Pacific Ex. Japan (281)	248.87	0.7	242.72	161.65	211.60	223.95	0.6	2.85	247.20	241.52	160.42	211.32	222.58	296.21	182.38	190.69
World Ex. US (1652)	170.40	-0.1	166.19	110.68	144.88	134.93	-0.3	1.87	170.67	166.74	110.75	145.89	135.33	172.51	142.94	151.42
World Ex. UK (1966)	173.80	-0.3	169.49	112.88	147.77	148.10	-0.4	2.03	174.30	170.29	113.11	149.00	148.66	175.58	153.22	159.14
World Ex. So. Af. (2112)	174.51	-0.2	170.19	113.35	148.37	150.42	-0.3	2.22	174.92	170.90	113.51	149.53	150.91	176.58	155.00	160.66
World Ex. Japan (1702)	182.64	-0.1	178.12	118.62	155.29	176.43	-0.3	2.89	182.89	178.69	118.69	156.34	176.98	186.20	165.72	167.59
The World Index (2171)	175.16	-0.2	170.82	113.76	148.92	151.47	-0.3	2.22	175.56	171.53	113.93	150.08	151.87	178.97	155.17	160.77

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Latest prices were unavailable for this edition.

FINANCIAL TIMES

FT EXPORTER

FT EXPORTER: *Summer Issue - July 7th*

The next issue of Europe's premier export review, the FT Exporter will appear with the Financial Times throughout the UK and Europe on the 7th July 1994. Written by Financial Times journalists based in leading business centres across Europe, the FT Exporter will show, through case histories, how orders are being won and what practical problems are being overcome.

The Summer issue will include a discussion of how free World Trade is after GATT, at a glance Risk Profiles for major non-European trading countries, a comprehensive guide to short term export credit insurers and a look at good deals, bad deals and who's doing them.

Details of the new FT Exporter World*Traveler* Foncard, in association with *Sprint.* will also be included in the Summer issue.

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JOBS: Personnel policies should be central to the overall strategy of a company, but all too often they are not

Putting a fence around the workplace

The personnel policies of a company ought to be a vital component of its overall strategy, but all too frequently they are not. This is the main assertion of a fascinating new study on human resource management in British multi-divisional companies.

Widespread internal restructuring may be going on across the corporate scene. Yet employee relations issues "are rarely taken into account". Indeed, as companies introduce more rigorous financial control it becomes more difficult for them to adopt management styles "based on beliefs about the best way to manage people at work".

"The influence of personnel management over strategic decisions is limited" and the "management of employee relations is deemed to be an operational matter wherever it is located", argues the study.

As a result, its authors Dr John Purcell of Templeton College, Oxford and Dr Bruce Ahlstrand at Trent University, Ontario, argue the corporate institutions and procedures dealing with employees have had to be fitted – often forcibly – into a mould created by change initiated by companies completely outside the industrial relations arena.

The authors argue persuasively that not enough attention has been paid to the fact that "the human resources of particular operating units fail to recognise that these units are often part of a much larger and complex organisational structure". By constructing a fence around the workplace, human resource management enthusiasts obscure its integral position within the multi-divisional company.

Basing their study on nine unnamed companies over a 10-year period, Purcell and Ahlstrand confirm personnel functions have become isolated from the strategic centre of the enterprise. As a result, personnel managers are uncertain of what their role ought to be within the company and take little part in devising corporate strategy.

The book provides a useful and a relatively jargon-free account of how corporate decisions influence human resource management. The authors quote one personnel director who suggests that what drives change in the company is "the realisation that there is no calm water around the next headland".

Apparently "it is no longer a case of belt-tightening or taking short-term action to weather a storm". Instead, there is a need "to cope with chaos, build for flexibility and find ways of integrating employment relations into the fabric of the organisation".

The authors are right to conclude that while "remarkably few organisations seriously consider questions of management styles and the most effective way to manage their employees", doing nothing or simply reacting to events is no longer good enough. "There is a rationale for designing human resource management to add to competitive advantage and economic success", they argue. Let us hope some companies are listening to this sensible message.

Source: Human Resource Management in the Multi-divisional Company, by John Purcell and Bruce Ahlstrand, Oxford University Press, £30.00 hardback, £14.95 paperback.

Contracting for IT

Growth in the number of skilled staff on short-term contracts of between three and nine months in the information technology sector looks set to become one of the most important trends in the labour market during the current economic recovery.

"New companies are asking for contractors that have never done so in the past", says Mr Tony Coombes, director at Systems Resources, a software and services company which supplies professional services and systems software to corporate customers. "Large companies have cut to the bone in the IT area during the recession and they are not taking on permanent workers again".

The Coventry-based company has just announced a 58 per cent increase in the number of information technology contract staff taken into employment over the past 12 months to the first week of May to 509, compared with 322 in the previous comparable period.

"One of the reasons for the increase is that contractors can provide the specialist skills that permanent staff do not have, particularly where it would be too costly to retrain them. The company can often get the job done more quickly and more cost-effectively than with permanent staff", argues Coombes.

He expects a 50 per cent increase over the next five years in the number of contract workers in information technology to add to the 25,000 currently on the market. "Employers are reluctant to take on extra permanent staff for projected-based work," says Coombes. "Contract staff are a more favourable alternative. Corporate organisations which have felt the consequence of permanent staff reductions over the last two years are now seeing gaps in the development skills they need, to configure the systems they require to remain competitive. The advantages of flexible contract staff is a huge plus for their immediate information technology development.

Science PhD unease

British employers are becoming concerned at what they believe to be a fall in the quality of PhD science recruits currently and in the future, according to a new study from the Institute of Manpower Studies in Brighton. But the demand for the 3,500 PhD science graduates who leave British universities every year is unlikely to go up at least until near the end of the decade.

The survey suggests "there is no evidence of a significant trend to a broader recruitment market in general". Just over a third of the PhD science graduates remain in academic life as researchers or teachers, while 30 per cent go into the private sector, with a large number taking up employment in the oil and chemical industries and in research and development and almost 10 per cent to the public sector. "No consistent view emerged from employers about their satisfaction with current PhD training," suggested the study. But it found that they thought there was need "for more interpersonal skills training and business awareness" from the PhD intake.

Employers also claimed "more formal training had squeezed out creativity and original thought". They added they believed PhD science graduates had grown too specialised and lacked "a breadth of view of their scientific discipline".

The Institute of Manpower Studies indicated that "the vast majority of employers have little or no demand at all" for PhD science graduates because they did not need people on their pay-rolls with that level of qualification.

But the unemployment level for such science graduates remains at less than 3 per cent, considerably lower than for first degree science graduates which stands at over 10 per cent. The survey suggests, however, they are going to have accept much more flexible forms of working in the future with more short-term contracts.

It is also clear that PhD science graduates in jobs will have to accept a greater commercialisation of their activities. As one major electronics company told the survey: "We are now a business first, which does research. We have changed our shape to be more customer focused and now have more worldly skills for commerce and finance. This has meant fewer PhD's and more general all-round skills".

Source: Science PhDs and the Labour Market, Institute of Manpower Studies, Report 266, £30.00 from Mantell Building, University of Sussex, Falmer, Brighton BN1 9RF.

Robert Taylor

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Leading Global Custodian seeks a Manger to cover its UK Settlement, Dividend Collection and Corporate Action Services. Successful candidates will currently have a similar role within another Global Custodian, Broker or Fund Management Company. Technical knowledge of procedures and practices in the UK market covering Equities and Gilts is required, as are proven man management skills.

Compliance Specialist
£AAE
A degree educated Compliance Officer is required by this International Bank as a specialist in its Bonds/Equities area. The role encompasses surveillance and monitoring of trading activities and drafting and compliance of policies and procedures. Training and investigations form an integral part of this role. Aged to early 30's, candidates are required to have experience as a Banking Compliance Officer.

P&L Regulatory Supervisor
c£33,000
City based US House has a requirement for an ACA/ACMA qualified P&L Regulatory Supervisor for its operations area. Successful candidate will have 2-3 years' experience in a major house with exposure to equity derivatives, asset swaps and emerging markets. Role encompasses FX accounting for all business lines and P&L support for all equity desks. Extensive liaison with front offices worldwide.

FX Manager
c£30,000
Prime named International Bank seeks an experienced Manager for its large global operation responsible for Foreign Exchange processing and control. Already working in a high volume environment you will have a solid background in FX, to include implementing system projects, and demonstrate strong business acumen and man management skills. Aged to 35.

Joslin Rowe Associates Ltd Bell Court House 11 Blomfield Street London EC2M 7AY
Telephone 071 638 5286 Facsimile 071 382 9417
A Member of the Blomfield Group

APPOINTMENTS ADVERTISING

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday. For further information please contact: Phillip Wrigley on 071 873 3351

Energy Derivatives Broker

New Plc formed to specialise in Energy swaps and options. Existing management with expertise are looking to augment staff with bright commercial talent. We are interested in:

1. Broker to develop OTC crude swaps and options.
2. Broker to develop end-user business. Suit a marketer with good contacts with airlines/shipowners etc.

Operating from prime Mayfair offices the company offers a stimulating environment with potential for growth. All applicants will be treated in strictest confidence.

Apply in the first instance and in strictest confidence, to:

Sarah Bisser
Quantum Energy Derivatives PLC
15 Grosvenor Gardens
LONDON
SW1W 0BD

Latin American Equity Sales

London

Our client, a leading US financial institution, is seeking an experienced professional to join its existing team.

The successful candidate should be educated to MBA level, preferably with a financial bias, and must be able to demonstrate extensive knowledge of the Latin American markets along with well-developed institutional contacts. A proven track record in selling Latin American products to UK and European institutions is an essential requirement for this position.

If you have the necessary skills and experience, please send a full cv which will be forwarded to our client unopened. Address to the Security Manager if listing companies to which it should not be sent. Ref: H7058/FT, PA Consulting Group, Advertising and Communications, 123 Buckingham Palace Road, London SW1W 9SR.

PA Consulting Group
Creating Business Advantage

Executive Recruitment · Human Resource Consultancy · Advertising and Communications

TOP OPPORTUNITIES

SENIOR POSITIONS IN GENERAL MANAGEMENT

CIE

Price Waterhouse
EXECUTIVE SEARCH & SELECTION

Chief Executive

Córas Iompair Éireann (CIE) is the main Irish authority for the provision of transport within the State. The organisation's group structure includes a holding company and three major operating companies which include Iarnród Éireann/Irish Rail, Bus Éireann/Irish Bus, and Bus Atha Cliath/Dublin Bus.

The current Chief Executive, who also holds the post of Chairman, will be retiring at the end of June and it has been decided to separate the two functions. His successor as Chief Executive must provide effective, professional leadership to the organisation.

Reporting to the Board of CIE, the person appointed will be responsible for the overall management and co-ordination of resources within the group in the provision of all group services. Key tasks will be to provide strategic direction; to ensure the development of plans and budgets; to meet the objectives and targets for transportation services within the guidelines set by the Department of Transport, Energy and Communications; to ensure that each operating company has the necessary leadership and management skills to plan and effect achievements; and, to ensure the execution of plans and strategies once they are approved by the CIE Board.

We seek somebody who has the ability, drive, leadership skills and enthusiasm to develop strategies and implement policies so that CIE's goals can be achieved.

The successful candidate must have excellent leadership qualities, strong communication and interpersonal skills as well as the maturity, experience and stature to command respect with management colleagues throughout the organisation.

Candidates must have an outstanding record of sustained achievement and excellence in management, and now seek a challenging role in one of the country's largest commercial organisations.

Remuneration and conditions will reflect the importance of this top level appointment.

CIE is an Equal Opportunities Employer.

Please write, enclosing full career details, in strictest confidence, to:
Tom O'Higgins, Price Waterhouse,
Executive Selection Consultants,
Gardner House, Wilton Place,
Dublin 2, Ireland.

Chief Executive Officer (Leasing)

Warsaw

$100-130,000 Plus Substantial Incentive Compensation Scheme

The Company
Few European economies are experiencing the same levels of sustained growth as Poland. The economy grew by 4% last year and is expected to maintain or increase this level of growth. This major leasing enterprise is being created to meet the under-served financing needs of large operating companies in Poland. This well capitalised company should rapidly become one of the largest leasing companies in Poland.

The Role
The Chief Executive Officer will report directly to the supervisory Board of the company. He/she will undertake full responsibility for the business, managing Finance, Marketing and Operations. Specific duties will include: Selling lease services to potential client base; managing start-up operations; finalising initial debt financing; and hiring key staff including Director of Marketing and Chief Financial Officer. You will be expected to maintain a company focus on risk management through strategy and lease portfolio decisions.

The Person
Clearly this is an exceptional opportunity to make dramatic progress within one of the strongest of the emerging market economies. You will need substantial leasing experience and an entrepreneurial business approach. Negotiating and closing deals with top international executives will not be a new experience. It is assumed that you are already forging a lead in your current role.

Talent and ability are the key factors but Polish language skills would be a distinct advantage. Please respond to the address (fax below) quoting reference FT 2226 on all correspondence. All applications will be treated in the strictest confidence.

ANTAL INTERNATIONAL
Executive Recruitment
Riverbank House • Putney Bridge Approach • London SW6 3JD
Tel: +44 (0) 71 371 9191 • Fax: +44 (0) 71 731 8160 (24 hrs)

Like Our New Russian Market, This Opportunity Is Wide Open!

President/CEO

As a leading U.S. corporation with a history of success and innovation in the diversified consumer product market, we are currently seeking a seasoned executive to run our tobacco operations in Russia. As President/CEO of this exciting business unit based in Moscow, you will be responsible for the completion and start-up of a new manufacturing facility along with building our presence and market share in the new Russian Republic and the C.I.S.

Diverse talents in Marketing, Sales, Finance and Administration are a must for developing this venture to optimum levels of success and profitability. You will also need 10 years of demonstrated international management experience, preferably in the tobacco industry, and possess the entrepreneurial qualities of initiative, resourcefulness and results-oriented thinking. High quality people skills and knowledge of Russian business protocol is also important. Fluency in Russian is preferred, but not required.

We offer an outstanding benefits package which includes an attractive base salary and bonus package, payment of all relocation expenses, and a comprehensive expatriate package. For more information, please send C.V to: Box :A2077 1 Southwark Bridge, London SE19HL. An equal opportunity employer.

MANAGING DIRECTOR

FAST-GROWING CONFERENCE COMPANY

One of the world's largest magazine/conference companies specializing in engineering, manufacturing, vertical markets, real-estate, finance, pharmaceutical marketing, food marketing, healthcare, information systems and environmental sciences seeks to fill the senior position in its conference division located in the UK.

The ideal candidate will have outstanding leadership and organisational skills and the ability to direct the division's rapid expansion in the UK and Europe.

Specific requirements are: (1) at least 2 years of general management experience including P&L responsibility; (2) at least 2 years of successful conference design and marketing experience; (3) demonstrated talent in "topic identification" and trend-spotting. This is a results-oriented position.

The position offers considerable opportunity for growth, financial security and eventual financial indepedence through our generous profit participation program and available equity participation. For immediate confidential consideration, please forward resume and salary history to:

Box A2072, Financial Times,
One Southwark Bridge, London SE1 9HL

BANKING FINANCE & GENERAL APPOINTMENTS

BRITISH AIRWAYS PENSION INVESTMENT MANAGEMENT LIMITED

Portfolio Managers

Central London — Competitive packages

The British Airways Pension Scheme is one of the best performing, large in-house funds in the UK. Assets under management are over £5bn, and growing steadily. As a result of expansion of market coverage, young portfolio managers with ability and potential are required for the following roles:

European Equities

The appointed candidate will work with the European Equities Manager in running the European portfolio, with specific responsibility for certain geographic areas. He/she will have an input into sector and asset allocation, and will provide back up within the team on other European markets. Ref 294J

Japanese Equities

The appointed candidate will work with the Pacific Equities Manager in running the Japanese portfolio, with an emphasis on smaller companies. He/she will provide back up within the team on other Asian markets, and will have an input into sector and asset allocation. Ref 295J

Candidates should have about two years' experience in fund management, ideally in relevant markets, and are likely to be aged in their mid-20s. A second class degree or better, probably in a numerate or business-related subject, is required. Important attributes include strong analytical skills, independence of thought and the ability to work as part of a highly motivated and collegiate team.

For both positions, competitive base salaries will be complemented by a performance-related bonus and the usual fringe benefits. Please send a full CV in confidence to GKRS at the address below, quoting the relevant reference number on both letter and envelope, and including details of current remuneration.

GKRS
SEARCH & SELECTION
CLAREBELL HOUSE, 6 CORK STREET, LONDON W1X 1PB. TEL: 071 287 2820
A GKR Group Company

Consultancy in Investment Banking

Attractive Package & Benefits — City

UBS is a AAA rated international bank employing over 2,000 people in London alone. The internal consultancy function plays an increasingly key role in the success of the bank in the UK and Europe. Due to increased demand for its services, it is looking to strengthen further its capability by the recruitment of additional senior consultants.

The successful candidates will have a proven track record of problem-solving and managing change working for a major consulting firm or blue-chip bank. The positions require a high level of intellect and good communication and people management skills. At least 3-5 years experience of business planning, business process re-engineering, operational and cost reviews, or the investment banking industry are required. Knowledge of German and/or French would be an advantage.

These high profile positions offer the perfect opportunity for the successful candidates to make their mark on, and build a career with, this major international bank.

As well as an attractive salary and career prospects, the positions carry a comprehensive benefits package, including participation in our performance-related bonus scheme.

Please send full career details to:

Melanie Olrik
Personnel Department
UBS Services Limited
100 Liverpool Street
London EC2M 2RH

UBS Limited

Assistant Fund Manager
European Equities

Central London — Competitive salary + car

We have a specialist team of professional fund managers running the £8 billion assets of one of Britain's largest pension schemes.

An opportunity has arisen for an ambitious and highly motivated person to be involved in the asset allocation and management of part of the £750 million European equity portfolio.

Ideally you should have an economics or numerate degree and three to four years' experience in financial markets. The IIMR qualification is desirable, and knowledge of a European language would be an advantage.

Good communication skills are essential for meeting company management and maintaining good relationships with major *stockbrokers. Candidates should be prepared to accept high* levels of responsibility at an early stage.

A competitive salary is offered, plus car and other benefits including profit sharing and sharesave schemes.

Please send your cv, quoting reference CFT/16204/009/FT, to the Personnel Manager, Recruitment Administration, British Gas plc, Heron House, 326 High Holborn, London WC1V 7PT. Closing date for receipt of applications 1st July 1994.

"Maximising potential through equal opportunities"

British Gas

UK CORPORATE BANKING
to c£50,000

Our client, a highly effective player in the provision of banking services and solutions to clients needs and requirements, seeks an experienced professional banker to maintain, develop and build upon an existing portfolio of major UK corporate clients. The successful candidate will be a graduate in their 30's with a strong credit background which will be supported by a proven track record in developing profitable business across a broad product range with major UK corporations.

MANAGER SECURITISATION
c£40,000

Our client, a leading merchant/investment banking organisation, seeks to enhance its banking activities, with the appointment of a banker who has Securitisation experience. Fully credit trained, the successful candidate will be a graduate, in their late 20's to early 30's, ideally professionally qualified who can demonstrate experience of marketing and structuring a broad range of banking products, which will have included securitisation.

EUROPEAN CORPORATE BANKING
c£50,000

Due to continued growth our client seeks to appoint an experienced corporate banker to assist in developing a European portfolio. The successful applicant will be responsible for client relationship development and assist in focusing and giving direction to a team providing a wide variety of banking products and services in this highly competitive market. The appointee will, ideally, be a graduate calibre banker with extensive experience of the corporate market.

PROJECT FINANCE
to £50,000

With a record of success in the Project Finance advisory sector throughout the world our client, a respected Merchant Bank, is a recognised player in the provision of fee based services. Now, due to continued growth, a need has arisen for an experienced professional banker to join this busy team. Ideally, candidates should be graduate bankers currently with the project finance unit of a major bank. Age to mid 30s.

Please contact Richard Lyons or Sean Carr
Carr Lyons Search and Selection Ltd
Astral House, 125-129 Middlesex Street
London E1 7JF
Tel: 071-623 9493 Fax: 071-626 1263

Williams Wingfield
Executive

Carr-Lyons Search & Selection Limited trading as Williams Wingfield Executive

CJA
RECRUITMENT CONSULTANTS GROUP
2 London Wall Buildings, London Wall, London EC2M 5PP
Tel: 071-588 3588 or 071-588 3576
Fax No. 071-256 8501

Opportunity for No2 or No3 in Compliance in a leading bank to build and run own operation in an organisation planning to expand rapidly over the next 2-5 years.

HEAD OF COMPLIANCE

CITY — **c.£50,000 + Bonus + Car**

MAJOR EUROPEAN FINANCIAL INSTITUTION

Due to expansion our client has a requirement for a new Head of Compliance. We invite applications from candidates with 3-5 years' experience of SFA compliance and preferably a legal background. Candidates now with a top legal firm dealing with major bank clients or with an accountancy background will be considered. A knowledge of capital markets and treasury products is essential and there is an initial emphasis on the fast expanding area of emerging markets. The successful applicant will report to a member of the Executive Committee, will work closely with Audit and Risk Management and will maintain and build on the current compliance foundations. The ability to ferret out the issues on a day to day basis and ensure the range of products is covered is key. *Initial remuneration is negotiable c.£50,000 +* Bonus, Car and full bank benefits package. **Applications in strict confidence under reference HC4980/FT to the Managing Director, CJA.**

INTERNATIONAL BANKING

Swaps and Derivatives Opportunities

Bank of America, one of the largest financial institutions in the world, is seeking high calibre, experienced swaps and derivatives specialists to join the Middle Office and Business Systems Group in London and the Operations group, based in Bromley, Kent.

Swaps Middle Office – London

We require candidates to work with business managers to lead various projects and business initiatives including the introduction of new products and systems. Candidates must have swaps and derivatives product experience and a general knowledge of other capital markets products. In addition, they must possess excellent communication and management skills and have the ability to liaise throughout the organisation at all levels.

We also require candidates to prepare P & L analysis and reconciliations as well as provide analytical support to the traders. Candidates must have strong technical knowledge of the products as well as a good understanding of the accounting treatment for swaps and derivatives.

An accounting qualification may be an advantage for some of these positions.

Swaps Business Systems Group – London

This group is responsible for working with the users of front and back office swaps and derivatives systems to define user requirements, prioritise enhancements and conduct systems quality assurance. We require candidates with good communication skills, management experience, swaps and derivatives product knowledge and systems understanding. Candidates will probably have gained their experience working within a systems group or a business support function.

Swaps Operations – Bromley

We have a wide range of opportunities at varying levels of seniority for people with experience in swaps and derivatives deal processing, settlements, documentation, accounting and control. Candidates must be enthusiastic, motivated and have sound practical experience within the swaps environment. Individuals with a good understanding of Swaps Documentation including ISDA rules and regulations are also required.

Swaps Operations – Hong Kong

We currently have available a variety of permanent opportunities to work in Hong Kong supporting the swaps and derivatives trading activities in Asia. Candidates should possess some or all of the above experience and knowledge.

We are looking for candidates with the ability to work well within a *dynamic, demanding and quality driven environment where individual* performance is recognised and rewarded. Excellent career prospects are accompanied by a competitive salary and benefits package.

Please send your CV to Patricia Bannon, Bank of America NT & SA, 26 Elmfield Road, Bromley, Kent, BR1 1WA stating the position of interest and salary or total compensation expectations.

Bank of America is an equal opportunities employer.

Bank of America

A unique opportunity for entrepreneurial salespeople to develop an innovative cross border product

Equity Sales to Europe

Prime US Brokerage House — **to £120,000 Package**

Our client, a leading US financial institution, is rapidly strengthening its presence in the European markets through the successful application of a fresh strategic approach combined with an unparalleled level of service. This expansion creates a need for two additional EQUITY SALES PEOPLE to develop the Continental European Markets. Candidates must be able to demonstrate a proven track record of at least four years institutional equity sales experience.

A *dynamic proactive approach to meeting* client needs and commercial acumen are essential. Fluency in another European language is highly desirable.

Candidates with a good knowledge of the French Institutional market are of particular interest.

This is an excellent opportunity for a motivated and professional individual, displaying a thorough understanding of the European and UK Equity Markets, to develop their career within a highly rewarding environment.

Interested applicants should write to Gavin Starling at Michael Page City, 39-41 Parker Street, London, WC2B 5LH, *quoting reference* 189390. *Alternatively*, telephone 071 831 2000 for an initial, confidential, discussion.

MP
Michael Page City
International Recruitment Consultants
London Paris Amsterdam Dusseldorf Sydney

TRANSACTION MANAGEMENT

GLOBAL INVESTMENT BANK

LONDON — £ EXCELLENT PACKAGE

Our client, a leading investment bank, provides a comprehensive range of investment, capital market and securities services worldwide. Substantial growth, combined with a creative and innovative approach has placed the organisation at *the very forefront of the world's international investment and* commercial banks.

The transaction management team is now seeking lawyers with up to 5 years' post qualification experience gained in a major city practice, investment bank or securities house.

More recently qualified individuals will be given equal consideration if they can demonstrate at least 6 months' experience in capital markets and a genuine interest in the area.

The roles involve the structuring, negotiation, documentation and execution of securities transactions, with particular emphasis on Eurobonds and other debt instruments. There is constant liaison with clients, external advisers and other parties connected with the transactions, and co-ordination with syndicate, marketing, treasury and risk management professionals.

Given the high degree of client contact, excellent communication skills are paramount. In addition, candidates must clearly demonstrate academic aptitude, sound commercial awareness and the interpersonal skills to succeed within a team orientated environment.

These challenging and creative positions carry highly attractive salary and benefits packages.

Interested candidates should write to **Simon Hankey** at **Robert Walters Associates 25 Bedford Street, London WC2E 9HP. Tel 071-379 3333, fax 071-915 8714.**

ROBERT WALTERS ASSOCIATES

Europäische AAA-Bank

Das Unternehmen: Als Top-Adresse zählt die Bank an den internationalen *Kapitalmärkten* zu den *Major-Playern.* Ihren Kunden steht sie mit mittel- und langfristigen Mitteln in unterschiedlichen Währungen, die durch CP-, MTN-Programme, Anleihe-Emissionen sowie Swap-Transaktionen an den Finanzmärkten aufgenommen werden, zur Verfügung. Eine bedeutende *Rolle als Emissionswährung spielt die* Deutsche Mark. Für die Leitung dieses Bereiches suchen wir eine im internationalen Emissionsgeschäft erfahrene Persönlichkeit als

Leiter/in DM-Emissionen

Die Aufgaben: Als Abteilungsleiter/in Verantwortung für den DM-, sfrs- und ö.S.-Emissionsbereich. Kontakte zu den Emissionshäusern in Deutschland, Schweiz und Österreich, Beobachtung dieser Kapitalmärkte sowie der Zinsentwicklung anderer Emissionswährungen, um Swap-Möglichkeiten zu erkennen, Vertragsgestaltung und Börseneinführung sowie Marktpflege; Mitwirkung an der Entwicklung von Anleihestrukturen unter Einbeziehung der Zins- und Währungsderivate, Prüfung der von Emissionshäusern vorgelegten Angebote und Entscheidung sowie kompetente Anleitung und Motivation eines kleinen Teams.

Die Anforderungen: Wir erwarten ein Studium, gute volkswirtschaftliche Kenntnisse, mehrere Jahre Berufserfahrung im großvolumigen Konsortialgeschäft sowie im Umgang mit den Zins- und Währungsderivaten; Kreditkenntnisse sind vorteilhaft, Erfahrung in der Konzeptionierung strukturierter Anleihen wird ebenso vorausgesetzt wie Initiative, Führungskompetenz und Integrationsbereitschaft in ein internationales Team. **Sehr gute Deutsch- und Englischkenntnisse sind ein "must", ausbaufähiges Französisch Voraussetzung.** Alter: Ende 30 bis Mitte 40.

Das Angebot: Dem/der Banker/in mit ausgeprägter Erfahrung im Konsortial- und Bond-Geschäft, die auch in der Industrie oder bei Institutionellen Anlegern erworben sein kann, bietet sich eine hochinteressante Aufgabe auf internationaler Ebene; eine attraktive Vergütung sowie Vorteile, die sich aus Stellung und Standort der Bank ergeben, ergänzen das Angebot.

Ihr nächster Schritt: Informieren Sie sich vertraulich telefonisch vorab bei Herrn Matthias Junges am Samstag zwischen 17.30 und 19.30 Uhr, Telefon +49.6081.42768, am Montag bis 20.00 Uhr im Büro oder senden Sie uns bitte Ihre aussagekräftigen Unterlagen. Diskretion ist selbstverständlich. Geeigneten Interessenten schicken wir gerne unsere **ausführliche Unternehmens- und Positionsbeschreibung "JSL".**

Search & Selection for Financial Institutions Stephan & Partner GMBH Berlin • Frankfurt • Paris
Kisseleffstr. 1·D-61348 Bad Homburg ☎ +49 · 6172 · 22044

Emerging Markets

Equity Analyst/Portfolio Manager

Standish, Ayer & Wood is a Boston-based investment counsel company in business since 1933 with $3 billion under management.

- We are looking for an equity analyst/portfolio manager with at least 2-3 years experience in the emerging markets sector to complement our international team.
- The experience should have been gained as a research analyst or investment manager, *ideally in both Asian and Latin* American markets, although this is not a prerequisite.
- Strong academic and professional qualifications required, preferably CFA level or equivalent.
- The successful candidate will work in a team based environment helping to create a global strategy and emerging market allocation.

Applicants should submit a resume and compensation requirements to the address below.

No phone calls please

Director of Human Resources
Standish, Ayer & Wood, Inc.,
One Financial Center, Boston, MA 02111

Standish, Ayer & Wood, Inc. is an equal opportunity employer

EXPERIENCED ANALYSTS

Freelance UK equity research analysts needed for new venture to produce reports on smaller companies.
Working from home to stringent standards.
Would suit recently retired or particularly those on maternity leave.
Good rates paid.
Please write to:
Box A2073, Financial Times,
One Southwark Bridge, London SE1 9HL

SENIOR TRANSACTOR
£80,000 plus bonus

International bank with a first class global reputation *seeks to recruit a negotiator who possesses significant* expertise within the large ticket domestic and cross-border market. Candidates should have the ability to work on an advisory basis coupled to strong technical skills. As there is a realistic opportunity to become unit head within two years' an outstanding individual is sought.

VENDOR PROGRAMMES
to £60,000 plus bonus

A marketing professional, aged 28 to 35, who has originated *a significant number of profitable vendor programmes,* covering a range of assets, is sought by a bank-backed lessor. Additionally candidates should have the ability to market other facilities, both lending and advisory, to major *blue-chip clients. This is an excellent opportunity to join a* renowned, successful and expanding unit.

FINANCIAL ENGINEER
c£55,000 plus bonus

A major international banking group seeks to appoint a graduate ACA, aged 26 to 34, who has gained excellent experience of tax-advantaged transactions. Within a small team of professionals, the role encompasses providing advice to major clients on the negotiation of complex structured finance facilities, both domestic and cross-border.

BIG TICKET LEASING
£45/50,000 plus bonus

Our client has established a large portfolio of major domesticasset financing transactions. In order to continue *to expand they seek to appoint an additional senior* marketing executive who has proven experience, gained with a major principal, of successfully negotiating and closing complex £20m+ domestic leasing transactions. *Exposure to cross-border deals would be advantageous.*

LEASING ACA'S
£30/40,000 plus benefits

On behalf of several major leasing companies and bank's leasing divisions, based in London and the close Home Counties, we seek qualified accountants with between two and four years' post qualification experience gained within leasing or asset finance. The roles concerned cover financial control, analysis or budgeting and forecasting.

If you are interested in the above or other positions within the leasing and asset finance sector, and have relevant expertise, please contact Peter Haynes or Keith Snow. No information will be disclosed without applicants' prior consent.

Jonathan Wren & Co. Ltd,
Financial Recruitment Consultants,
No.1 New Street, London EC2M 4TP
Tel: 071-623 1266 Fax: 071-626 5258

JONATHAN WREN LEASING

Make a significant contribution to the success of a new UK Financial Markets Newswire

Market Analyst — City based

Dow Jones Telerate is a wholly owned subsidiary of Dow Jones and Co. Inc. and a world leader in providing on-line financial information.

We have recently launched a new UK financial market newswire *called UK Markets Report.* The service provides real-time, in-depth coverage of all UK financial markets as well as economic, business and political news that may affect these markets.

UK Markets Report is updated continuously throughout the day to give customers a fast, accurate and comprehensive service.

We are expanding the UK Markets Report editorial team to increase the range and scope of market coverage and we are looking for a Market Analyst who can act quickly as news breaks.

You will develop industry contacts and work closely with a wide range of sources. You will be expected to bring an analytical approach and keen insight to real-time news coverage with specific emphasis on UK equities.

Several years' experience in the UK equity market; either as an Analyst or in a research role within an equity broking or fund management organisation is the minimum requirement for this position.

An understanding of company accounts and an ability to analyse them to provide an insight into corporate performance would be highly desirable.

Journalistic experience would be an advantage as would an understanding of PCs and Excel.

To apply, please send a full c.v. together with current salary details to: Stephanie Harris, Human Resources Officer, Dow Jones Telerate, 12-16 Fetter Lane, London EC4A 1BR.

"This company is committed to equal opportunities and applications are welcomed from anyone irrespective of colour, ethnic origin, disability, sex or marital status."

Dow Jones Telerate

Treasury Sales

***CREDIT AGRICOLE**, one of the world's* leading Banks, is seeking to develop its Treasury Sales activities in London and, to this end, invites applications from high-calibre candidates with a __minimum__ of 5 years sales experience. Applicants should ideally be educated to degree level, and must be able to demonstrate a sound knowledge of all Treasury products including Swaps.

A *highly competitive* salary and benefits package is offered, depending upon age and relevant experience.

Please write, enclosing full career details to:

M J Benson
Head of Human Resources
Caisse Nationale de Credit Agricole
135 Fleet Street, London EC4A 2ED

Applications should be received no later than Monday 27th June 1994.

CREDIT AGRICOLE

EMERGING MARKETS : DERIVATIVES TRADERS

Our client, a specialist investment bank with a highly successful track record, is enjoying continued growth in a variety of profitable niche markets. The Risk Management Group has been established to develop a capability in derivative-linked products across a full range of underlying instruments in a number of emerging markets. We now seek two risk managers to establish and develop the trading function.

Volatility Trader:
To hedge the risk arising from the Group's activities. This includes proprietary trading in OTC options as well as creating securitised products. The underlying instruments would include equities, commodities, interest rates and currencies across a range of geographical markets.

LDC Debt Option Trader:
Providing a specific derivative risk management capability in tandem with our client's strong presence in the Latin American, Eastern European and African Sovereign debt markets.

While prior experience of emerging markets is not essential, interested applicants should:

- have a demonstrable track-record of successful volatility trading
- have at least two years' options experience
- have exposure to OTC products
- be graduates with a mathematical degree
- be mature individuals capable of taking independent responsibility in a closely knit team environment
- have a desire to be involved in, and contribute to, the development of the bank's activities in these areas

These represent unusual and exciting opportunities to develop careers across a broad range of markets, and to establish market leadership in areas of enormous potential growth.

Investment banking remuneration will be geared to attract individuals of the highest calibre.

To discuss this further, in strictest confidence, please contact Christopher Lawless on 071 379 1100 or write to him at:

The Bloomsbury Group,
(Search and Selection Consultants),
The Second Floor,
Bedford Chambers,
Covent Garden,
London WC2E 8HA.
Fax No. 071 240 6362.

THE BLOOMSBURY GROUP

Price Waterhouse
EXECUTIVE SEARCH & SELECTION

Broker/Dealer

Europe

Our client, a leading European broker, is seeking a Broker/Dealer to work with their Organisation in Europe.

The selected candidate will be part of a very successful team engaged in the European Market, intermediating OTC products for institutional clients and financial institutions.

You must have 4/5 years experience with a broker in selling and structuring interest rate swaps, currency swaps, and related option derivatives. We expect you to have existing customer relationships in Europe, and a proven track record of sales growth.

An attractive compensation package will be offered, to relocate to Europe.

We have undertaken to forward all replies to our client, unless instructed otherwise. Please indicate any Brokers to whom you do not wish your details to be forwarded.

Send your full CV, with salary details, to Barrie Whitaker at:
Executive Search & Selection,
Price Waterhouse,
Milton Gate, 1 Moor Lane,
London EC2Y 9PB.

We are broadening the scope of our global education team. Do your skills fit into the equation?

Technical training in international investment banking

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ACCOUNTANCY COLUMN

Crying wolf too often over the 'liability crisis'

Andrew Jack reports on a lengthy but ultimately one-sided debate on an important professional topic

Three concepts associated with the creative accountancy term "extraordinary item" could rarely be more appropriately used than in connection with a recent issue of a US academic journal: significant, but one-sided and questionable.

The Journal of Economics & Management Strategy, published by the Massachusetts Institute of Technology, has devoted an entire issue to the liability crisis and its impact on accounting, based in turn on papers given at a conference on the subject in April last year*.

There is little doubt that the topic is extremely important, and it is welcome to see it debated at such length in an initiative taken by an academic institution. The disappointment is the lack of balance in the analysis it contains.

It is particularly ironic to see some of the dangerous assumptions made without supporting evidence by academics of economics and accounting, who have a reputation based on objectivity, rigour and numerical analysis.

Take this comment from Mr William Kinney, chair at the graduate school of business from the University of Texas at Austin: "It is fair to say that litigation threatens the continued existence of independent auditing as we know it today".

Or – from the same author – that many claims against auditors "may be non-meritorious", simply because the average value of legal settlements is a small proportion of the average value of claims.

Take the oft-repeated but rarely analysed mantra that the downfall of Laventhol & Horwath, the large US accounting firm that collapsed in 1990, was caused by litigation issues. In fact, a number of other factors were at least as important.

The conference organisers clearly made an impressive attempt to make the debate wide-ranging and relevant to policy by including professionals in practice as well as academics. Sadly, the rhetoric of senior representatives of four of the "Big Six" firms (which have reportedly spent $2m apiece lobbying for litigation reform) rings a little hollow.

There is an almost suspiciously common line taken by four of the firms. They all talk about the personal pressures caused by lawsuits and the exposure to unlimited liability, and the reluctance of firms to continue to audit higher risk clients. They suggest (though none provides any examples) that promising accountants are rejecting the offer of partnership for fear of the consequences.

Mr Larry Weinbach, managing partner-chief executive of Arthur Andersen, says small and medium-size firms are reducing the audits they undertake to reduce their liability exposure. Yet most of the large lawsuits are against larger firms.

Similar points come from Mr Michael Cook, chairman and chief executive of Deloitte & Touche. Yet his stance is in apparent contrast to the view of Mr Ed Kangas, managing partner, who in a more general interview with the FT last year did not even raise litigation reform when he was asked to list the most important challenges facing his firm.

All this is not to say that much of the sympathy towards the current litigation situation in the US is unjustified. It is just that many of the arguments are far less relevant and need to be applied with considerably greater caution in the UK and other jurisdictions.

For example, the firms call for "fee-shifting" – also known as "the English rules" – by which unsuccessful litigants must pay the winners' legal fees if the claim was frivolous, in place of each side paying its own costs. They want the elimination of bonuses paid to representatives of class action suits which act as incentives to the emergence of professional plaintiffs.

They also criticise the litigiousness prevalent in the US, with plaintiffs rejecting any personal responsibilty for loss, in a process characterised by Mr Richard Breeden, former chairman of the Securities and Exchange Commission (SEC), as "heads I win, tails I sue".

Yet ironically, Mr Breeden himself (regrettably absent from this journal) does not support proposals to reform joint and several liability, by which one defendant can be required to pay damages disproportionate to the degree of culpability. He argues that it "strikes a reasonable balance" between the interests of auditors and those of taxpayers and investors harmed by poorly audited companies.

Two senior officials at Ernst & Young provide (though irritatingly without naming names) a useful summary of legal precedents. They highlight an English-based company which offered shares only to UK residents but sued its English advisers in Montana to avoid the risk of having to pay the other side's costs. It even floated a zero coupon loan note to fund the litigation, which will pay bondholders a percentage of any award.

Nevertheless, the Journal does contain some excellent articles. One of the best pieces is written by Mr Robert Elliott, assistant to the chairman of KPMG Peat Marwick, who argues that "hard data should replace anecdote".

He suggests that research is needed into: whether users value audits; who gains from litigation awards; whether settlements disproportionate to fault improves auditors' performance; and what has caused the crisis.

The problem is that the accounting firms and their insurers, so willing to call for reform, have been equally reluctant to provide such information. At least one group of respected academics in the UK trying to research litigation reform has been refused access to professional indemnity data on the large firms, for example.

Mr Walter Schuetze, chief accountant at the SEC, argues the liability crisis is a function less of auditing failures than accounting failures. Citing the collapse of the Savings & Loans industry, he says tighter standards rather than ones leaving much to judgment would have prevented a position in which "management puts on its rose-coloured glasses, and the auditor is unable prove that his or her client is wrong".

Mr Weinbach makes an interesting point in suggesting that litigation is forcing "defensive auditing", in which – like doctors carrying out needless tests – accountants are forced to spend increased time checking and re-checking at the expense of efficiency: a process that adds much to cost but little to value.

This needs further examination. After all, conducting needless tests even when judgment dictates they are not necessary is one thing; but ensuring financial statements are accurate within reasonable levels of confidence is quite another.

Mr Cook sketches out different scenarios for the profession, including one in which the additional audit costs for clients without any litigation reform would be 25 per cent to 50 per cent higher. More detail would certainly be helpful.

Thomas Lys, from the Kellogg graduate school of management at Northwestern University, reveals a sharp rise in lawsuits against auditors – but the total from 1960 to 1985 was still only 335.

One perspective sadly lacking throughout the articles is of those who have lost money in companies where the audit report was inadequate. An important missing topic is analysing precisely what limits to compensation would be feasible given the firms' stated willingness to pay damages when they have done wrong. It seems that at least one more academic conference on the subject could be easily justified.

**Journal of economics and management strategy. Volume 2, issue 3. Fall 1993. MIT Press Journals, 55 Hayward St, Cambridge, MA 02142-1399. USA. $11.50*

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The experience gained in this position will considerably enhance a knowledge of international banking and creates the opportunity for career progression within the Bank on a worldwide basis.

In the first instance contact Chris French at the address below or call him outside office hours (up to 10 pm) on 081 398 7640.

All applications made direct to the client will be forwarded to the Fleet Partnership for consideration.

the fleet partnership
Financial Recruitment Consultants
117 Newgate Street, Old Bailey, London EC1A 7AE. Telephone: 071-600 6500 • Fax: 071-600 6300

Group Finance Manager
International Consumer Goods PLC

N. Home Counties — c.£35,000 plus car

Our client is a fully listed international branded consumer goods group with annual turnover in excess of £250m. Following a period of reorganisation the group is ready to embark upon a crucial stage in its development. To assist in successfully managing this development at group level, and to further strengthen the small head office team, this new position has been created.

Reporting to the Group Finance Director, your broad and challenging brief will be to develop and implement tight control systems which will lead to a more structured approach to the management of cash and working capital throughout the group. You will also be required to manage a variety of projects and ad-hoc exercises consistent with PLC activity. Some international travel will be necessary.

This exciting role requires a qualified accountant with strong technical skills, an analytical approach and an understanding of group reporting. You will currently be working either in a line position with a large, distribution orientated business, or in a non-audit position within the profession. Probably aged 28-35, you will possess excellent communication skills and the potential for rapid progression within the group.

Please apply in confidence with a full CV and salary details to: J.D. Vine, Vine Potterton Ltd., Suite 26, Ludgate House, 107-111 Fleet Street, London EC4A 2AB.

VINE POTTERTON
RECRUITMENT ADVERTISING

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The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone: Philip Wrigley on +44 71 873 3351

AUGAT

FINANCIAL CONTROLLER - EUROPE

Midlands — **up to £30,000 + Car & Benefits**

Augat Ltd. is a leading international supplier of electrical connectors to the automotive, computer and telecommunications industries. Due to an expansion of its product lines and consolidation of its European operations, the company is expanding its accounting group in the Midlands.

You will report to the VP-Finance and Administration-Europe who will be returning to the US parent within the next few years. A qualified accountant, your background reflects a broad understanding of the commercial issues facing an international manufacturing company trading throughout Europe.

With full responsibility for the general ledger, corporate reporting and the development of systems and procedures, you will also be responsible for the personnel and I.T. functions. You will be expected to play an integral part in implementing changes, and in creating new systems and procedures, as the group continues to expand.

Please send your CV and covering letter to:

Bartwell

International Recruitment (UK) Ltd.,

Crest House, 7 Highfield Road, Birmingham B15 3ED.

The Institute of Chartered Accountants in England and Wales

Director of Practice Regulation

The Institute employs a Secretariat of some 450 people, supporting a worldwide membership of over 100,000.

Based in London, the Practice Regulation Department employs 40 professional and administrative staff who service relevant committees, regulate members and firms practising in the reserved areas of Auditing, Investment Business and Insolvency, and monitor compliance by all practitioners with the professional indemnity insurance regulations.

A reorganisation following a retirement will create this vacancy, and both internal and external candidates will be considered. Reporting to the Secretary and Chief Executive, the new Director will be responsible for the effective management of the department.

Candidates are likely to be aged between 38 and 52, graduate accountants, with substantial managerial experience in a professional service environment. It would be an advantage to have been involved in regulatory and compliance matters, most likely in the profession, the financial services or regulatory bodies.

Important personal qualities will be well-developed leadership and managerial abilities, first-class administrative and communications skills, an analytical mind and an interest in committee work, as well as competence in the use of IT, and the drive and dedication to handle a diverse and demanding workload.

A salary in excess of £70,000 will be negotiated; in addition there is an attractive benefits package.

Please reply in confidence to Bryan McCleery who is advising on this appointment.

CLIVE & STOKES INTERNATIONAL
No. 1 Derby Street, London W1Y 7HD. Telephone: 071-408 2192

Group Financial Director

London based — **c£45,000** negotiable + package

As a well established London based Construction company with a turnover of £40m, we are seeking to appoint a Group Financial Director with a minimum 5 years construction industry experience.

As a member of the board you will be expected to formulate and maintain financial policy and make a significant contribution to the strategic management and continuing profitable growth of the business.

This is a challenging role requiring a qualified accountant (degree plus ACMA or equivalent), ideally aged mid 30's to mid 40's with a dynamic proactive management style and excellent interpersonal and communications skills.

Please send full written details in confidence to: Box A2076, Financial Times, One Southwark Bridge, London SE1 9HL.

FINANCE DIRECTOR

CENTRAL LONDON — AGE 28-35 — c.£50,000 + BONUS + BENEFITS

This young and dynamic quoted Group is a leading independent provider of structured finance and related specialist services. From a strong balance sheet position the Group is now poised to grow its existing operations and expand into new areas.

There is now a requirement for a Finance Director to join the executive team to provide strong financial management and to support the development of the Group in its long term strategy, ensuring that the highly positive cash resources are applied to maximum effect.

Participating at Main Board level, you will have responsibility for all accounting and finance matters, especially in the key areas of treasury management, control and systems enhancement and taxation. The successful candidate will be expected to contribute greatly to the commercial development of the Group by providing sound but creative financial solutions and strategies.

Having functional control over a finance team of up to 8, strong man management and communication skills are prerequisites, especially as you will also be responsible for liaising with institutional investors and external advisors.

Candidates will be graduates, ACA qualified and be able to demonstrate significant career development outside of the accountancy profession and display real commercial awareness. Experience should have been gained in a financial services environment and a thorough understanding of leasing, property, acquisition evaluation and financial instruments will be required, as well as the ability to deal with legal documentation.

Above all, the successful individual must have the energy, drive and maturity to operate at Board level, together with strong technical and commercial skills.

Applicants should write to Jon Boyle ACA or Giles Daubeney at Robert Walters Associates, 25 Bedford Street, London, WC2E 9HP. Tel 071-379 3333, fax 071-915 8714.

ROBERT WALTERS ASSOCIATES

Director of Finance

International Law Firm

City — **£50-£60,000 + benefits**

Our client, a medium sized multi-national partnership of lawyers, is one of the top insurance litigation practices in the UK, and one of the leading City firms in construction law. Although well established, the firm has a large number of young, high calibre partners with drive and a flexible, progressive approach. The firm's success and resulting growth have led to an increased need for financial expertise, and a skilled, ambitious finance professional is now required for a challenging role.

Reporting to the Management Board, you will play a key role in the strategic and commercial decision making processes. You will be responsible for highlighting relevant issues and advising on the financial affairs of the firm, ensuring that an accurate and efficient service is provided through the management development and training of the finance team, introducing effective procedures and controls and developing existing systems.

To succeed in this demanding role you will be a qualified accountant with direct experience of the financial management of a law firm and its accounting systems. A practical hands-on approach, combined with the ability to make a positive contribution at a strategic level, is essential. Probably in your mid-thirties to early forties, you will have strong management and communication skills, a mature personality and the ability to inspire confidence in partners and colleagues.

BDO

To apply please send a CV with salary details quoting reference 1733 to Richard Holland (071-489 6244).

BDO Consulting, 20 Old *Bailey, London* EC4M 7BH.

GLOBAL FMCG MARKET LEADER

Operational/MIS Review

Managers from £40,000 + fx car

One of the world's most successful FMCG companies, our client - a highly-focused food and drinks group - is a major player in each of the 50 countries in which it operates. Following restructuring and a series of promotions, the high-profile London-based International Operational Review team now seeks a number of Managers and Senior Auditors.

Covering operations in Europe, Africa and the Asia Pacific region the team assists senior management in achieving business objectives, by leveraging best practice through proactive added value reviews of financial and operational controls and procedures. In addition, team members undertake consulting assignments including acquisition and disposal reviews and analysis as well as ad hoc secondments to the businesses.

Senior Audit Manager

Responsible to the Group Director of Audit, candidates will have developed good business acumen plus project and people management skills during approximately 8 years' pqe gained in a variety of roles.

MIS Manager

Also reporting to the Group Director of Audit, this position is responsible for driving forward the technological aspects of the department. Consequently, up to date knowledge of a variety of communications, software and hardware systems is important; 10 years' experience is therefore expected.

Senior Auditors from £30,000 + fx car

Senior Auditors

Positions exist both for integrated auditors and IT specialists: the former will be ACA or CIMA qualified with up to 4 years' pqe. Audit experience is not essential; more important is a record of achievement in a Big 6 practice or major Plc. IT specialists will have had significant project management and systems implementation experience, or have been involved in developing business applications.

In all cases, as the department uses integrated audit techniques some exposure to computer systems is essential. Other pre-requisites include an excellent academic and career track record, enthusiasm and strong inter-personal skills. With worldwide travel of c50%, foreign languages, international cultural and commercial skills would be an advantage.

Individuals can expect to progress within 2 years; recent moves include a UK controllership of one of the group's leading brands and a management role in Corporate Finance. The exceptional career opportunities in the UK and worldwide are matched by a superb salary and benefits package, which includes fully expensed car and bonus.

Interested applicants should send or fax their CV quoting ref. 068 or for more information contact us on 071 329 4649, or during the evenings and weekends on 071 231 8272.

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SEARCH & SELECTION

OLD BAILEY HOUSE, 7 OLD BAILEY, LONDON EC4M 7NB. TEL: 071-329 4649 FAX: 071-329 4677

FINANCE DIRECTOR

C London — package c£40,000

"There are no problems – there are just opportunities"

The saying could have been coined for our property development clients who have not just survived the recession, they have flourished. By buying cautiously, designing imaginatively and controlling professionally they have become a high-profile plc with prize-winning developments to their credit.

They now wish to appoint a Finance Director to join the management team. Experience in property is not essential but applicants must be qualified and combine good technical ability with a strong sense of commercial realism in a business where the conflicts of style and cost are constantly being balanced and where cash flow is all-important. Characteristically the company has few direct employees and an informal 'hands-on' style is therefore essential. Ideal age range is 32-37.

Please write with full CV, including salary history and daytime telephone number quoting reference 1750/FT, to Dick Phillips ACIS, Phillips & Carpenter, 2-5 Old Bond Street, London W1X 3TB. Tel: 071-493 0156 (24 hours).

Phillips & Carpenter

Selection Consultants

INVESTMENT ACCOUNTING MANAGER

Central London

circa £40,000 + Car + Bonus

Diverse financial services Plc noted for their success in dealing in global markets, has undertaken recent acquisitions to the group.

This significant growth reveals the need for an accountant to strengthen investment accounting procedures, supervise valuations for all funds (ability to price stocks, bonds, swaps, options and futures important) produce regular management information and tax computations and ensure strict application to internal controls.

The successful candidate will be a chartered accountant with at least 3 years post qualified experience (securities industry experience essential) and highly computer literate. An effective communicator with strong leadership and interpersonal skills he/she will liaise at a senior level and possess the ability to influence corporate decisions and demonstrate developed man management skills.

*For further information please contact **Gary Johnson** or **Simon J. Clarke** on **071-629 4463** or send your C.V. to the address below.*

HARRISON WILLIS

FINANCIAL & LEGAL RECRUITMENT CONSULTANTS

Cardinal House, 39-40 Albemarle Street, London W1X 3FD. Tel: 071-629 4463

LONDON • READING • GUILDFORD • ST ALBANS • BRISTOL • BIRMINGHAM

Managing Director – Finance

or

Head of Risk Management

Investment Bank

£100,000 – £300,000

Our client is a respected and highly profitable bank based in the City with overseas offices. There is an immediate need to establish a new risk management function. Longer term, a Managing Director is required to head all the bank's support services: financial control, credit control, systems, treasury, compliance and audit. An exceptional candidate could succeed the bank's Chief Executive in the medium term.

Our client will make a single appointment - hence the wide remuneration range and alternative job titles.

Candidates may have a specific interest in establishing the risk management function or be ready to take responsibility for all the bank's infrastructure functions and have the ambition to be Chief Executive.

Very high intellect, stature and excellent leadership and interpersonal skills are essential at whatever level the appointment is made. The right person will probably have a background in financial services, but not necessarily in banking. An accountancy qualification would be a plus. Age is open, but probably between 40 and 45.

Applicants' names will not be disclosed to our client or to anyone else without their specific approval.

Please apply to **James Hervey-Bathurst.**

NBS (Ref BN2183), 54 Jermyn Street, London SW1Y 6LX

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TRADE INDEMNITY PLC

Assistant Financial Controller

c£32,000 pa plus benefits and car

Trade Indemnity is the UK's leading trade credit insurer and our core business is to provide companies with payment protection on their credit sales. This core business, together with a growing portfolio of related products, makes our Group the most comprehensive provider of credit risk management services.

The Group intends to remain the market leader and profitable growth leads us to offer the above appointment which is based from the London *Head Office:*

Responsible to the Financial Controller, the successful candidate will be ACA or ACCA qualified with 5 years post qualification experience. The role will suit an individual who is self-motivated, familiar with working within tight deadlines, an excellent communicator at all levels and used to managing financial teams.

Additionally, our rapid development of systems and technology means that, as well as financial accounting and corporate taxation expertise, computer literacy is essential.

The fringe benefit package includes mortgage subsidy, non-contributory pension scheme, free life insurance and profit share.

If you would like to be part of our success, then please write with full career details to:

Alan Suckling, *Manager* – Personnel
12-34 *Great Eastern Street, London* EC2A 3AX.

FINANCIAL CONTROLLER – MANUFACTURING

c. £40,000
+ Car
+ Bonus

Hi-Tech Multinational

Thames Valley

Our client is a fast growing multinational hi-tech public company with over 80% of sales deriving from export markets. Manufacturing operations are based in Europe and the USA, and plans include future manufacturing in other international regions.

Rapid technological change and innovation, coupled with business expansion, now demands that the international manufacturing operations be evaluated. The objective is to ensure that optimum product sourcing arrangements are in place to match future strategies.

These challenges have created a need to recruit a senior finance professional to support the Manufacturing management team. Reporting to the VP Manufacturing, responsibilities are to:

- develop strategic and operational business planning
- support major manufacturing investment initiatives
- *design and implement product costing systems*
- develop key manufacturing performance indicators
- evaluate product sourcing arrangements
- assist in the negotiation of supplier contracts
- provide commercial advice and support for Manufacturing management.

A qualified graduate calibre accountant is required, probably aged 28 to 35. Experience of international manufacturing and costing is essential, preferably gained in a hi-tech, consumer goods or other product based organisation. Personal attributes should include good communications skills, leadership qualities, team orientation, strong intellectual ability and a creative approach to problem solving.

Candidates should write to Peter Ward ACMA (enclosing a curriculum vitae and details of current salary) at: Martin Ward Anderson, Goswell House, 134 Peascod Street, Windsor, Berkshire SL4 1DS.
Please quote reference 94087.

MARTIN-WARD · ANDERSON ·
FINANCIAL RECRUITMENT CONSULTANTS

The Royal Bank of Scotland
WHERE PEOPLE MATTER
Committed to Equal Opportunities

CHIEF ACCOUNTANT

– Branch Banking Division Edinburgh

The corporate aim of The Royal Bank of Scotland is to be recognised as the best financial institution in the UK. Branch Banking Division is the largest part of the group, offering a full range of banking and financial services to both personal and commercial customers in the UK and offshore islands.

Internal promotion has created an opportunity for an experienced and ambitious professional to play a high profile role within the business. The responsibilities fall into two key areas; firstly managing the financial planning and reporting mechanisms from strategic plans to monthly management accounts, emphasising and explaining the main business issues and highlighting the emerging trends; secondly, enhancing the quality of the financial information through more project-based work to *give greater insight into the financial dynamics of the Division.*

Candidates will have at least 8-10 years post qualifying and relevant experience. Over and above this they must demonstrate strong levels of energy and the ability *to develop successful and credible relationships at senior levels.* The management skills to lead five managers and thirty staff are also necessary.

Naturally a very attractive salary and benefits package, including relocation, will be offered to *the successful candidate.*

Please write with full CV to:
Scott Black, Finlayson Wagner Black Ltd,
19 Alva Street, Edinburgh EH2 4PH. Tel: 031-539 7087.

FINLAYSON WAGNER BLACK
EXECUTIVE RECRUITMENT

JBA
People and Products in Software

UK Financial Controller

Birmingham

Package c £30-40,000+Car

JBA is an expanding £74 million turnover international group operating as a computer software house. The Company is the largest UK based AS400 business application software supplier and the third largest such organisation in the world.

The current size and future potential of the UK Business demands the appointment of a Financial Controller. Reporting to both group and regional general managers significant strains will be put on the successful individual, and a very strong personality will be required to make a success of the position.

Specific responsibilities will include the preparation and presentation of monthly and annual accounts, control of the annual budgeting process, supervision of several staff, and ad-hoc reporting as required both by group, and most importantly, to provide a disciplined financial perspective to the general management team.

Aged 25-35, you will be an ambitious, qualified accountant with experience in a fast moving, competitive industry, ideally liaising with general management as well as finance. Technical experience, strong personal presence and outstanding communications skills will be essential in this high profile role.

Final package will be based upon experience, but the range is broad to reflect the flexibility offered if the right individual is found.

Applicants should forward a CV, including current salary details to *Adam Leon* or *Paul Kinsey* at **Michael Page Finance, The Citadel, 190 Corporation Street, Birmingham B4 6QD.** Quoting ref: **191460.**

MP
Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

FISHER-ROSEMOUNT

Senior Financial Analyst

Redhill, Surrey

to £32,000 + Car

Our client is a $650m turnover manufacturer of control equipment for supply to large industrial chemical and process industries. Part of the Emerson Electric Corporation of the US, the company enjoys an enviable reputation in its field, achieving high and consistent earnings growth, largely as a result of a commitment to strong financial management.

Reporting to the Director of Financial Planning, and with direct contact at senior executive level, this is a key role focusing on driving operational benefit and maximising return for 40 locations and 10 factory sites. This involves:

- Monthly analysis of actual against forecast.
- Consolidation of management reports for both financial and non-financial measurements.
- *Preparation of the annual and long term plan including* budgets and forecasts.
- Ad hoc projects.

The successful candidate will be a qualified accountant with a high level of academic achievement and considerable experience in a manufacturing environment. This is an ideal opportunity for a financial planning analyst to move from a plant or factory environment to gain experience at head office level. Experience in a multi-site US environment would be a significant advantage.

Strong communication skills with an ability to deal at the highest levels will be combined with considerable flexibility and a willingness to travel. It is expected that career *progress will lead to a senior financial position in an* international location in the future. An advanced level of spreadsheet ability is essential and this will be tested at interview.

Interested candidates should send their Curriculum Vitae to **Jonathan Ross at Cygnet House, 45-47 High Street, Leatherhead, Surrey, KT22 8AG,** quoting reference **BBFO 185490.**

MP
Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
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TOR LINE

FINANCIAL CONTROLLER

Excellent Salary, benefits and car

Humberside

TOR LINE Limited is the UK subsidiary of TOR LINE AB, a major Swedish Shipping Company and a division of the DFDS Group. As the leading freight carrier on the North Sea routes, the company serves the market in the traffic areas between Sweden, the United Kingdom and the Continent.

Planned expansion of the UK operation has created an exciting ground floor opportunity for a talented and customer orientated finance professional to assume full responsibility for establishing the accounts function.

The successful candidate will be a professionally qualified accountant who can demonstrate a track record which encompasses management as well as technical skills, ideally gained within a customer focused environment. Responsive and adaptable, you will demonstrate a 'hands on' approach together with good commercial judgement.

This is a tremendous opportunity for the right individual and applicants should write enclosing full C.V. and details of current salary to Terry Bibby, Mercuri Urval Ltd, Ship Canal House, King Street, Manchester, M2 4WU, quoting ref: TB/9323.

Mercuri Urval

PARKWELL

Group Finance Professionals

UK Stockbroker

to £30,000 + Bonus + Benefits

Our client is a leading corporate stockbroker with an excellent reputation for research and quality of service

In recent years they have undergone a significant period of development and they are now seeking to strengthen their *finance department by the recruitment* of two additional accountants.

Financial Accountant

You will report to the Group Financial Accountant and be responsible for *preparing monthly profit and loss* accounts and balance sheets, SFA, quarterly VAT and other returns. You will also be involved in a variety of ad hoc project assignments.

Management Accountant

You will report to the Group Management Accountant *The role includes weekly* financial forecasts and the preparation of monthly management accounts. You will also provide assistance in financial planning, analysis and related project work.

Candidates will be qualified ACA, CACA or CIMA with up to two years post-qualification experience. Some financial or management accounting experience is essential although financial services experience is **not** required as the emphasis will be on team players with strong interpersonal skills and the ability to work well under pressure.

These are excellent opportunities to fully develop your potential in a supportive and exciting environment.

Interested applicants should contact
Andrew Fisher, Parkwell Management Consultants Ltd
3 Catherine Place, Westminster SW1E 6DX Tel: 071 233 5207 Fax: 071 233 5205

International Financial Analyst

London

To £40,000 + Car + Bonus

Our client a leading UK services group with a turnover of £1.1bn, has maintained its position as a dominant market leader despite increased competition in it's specialist sector. A recently appointed high calibre management team coupled with an increased commitment to product innovation, and a corporate strategy orientated towards the provision of superior customer service, will create substantial domestic and international business opportunities.

Recent internal reorganisation has generated the need to augment the management team with the appointment of an exceptional Financial Analyst. Reporting to the Finance Director of the International Division, the appointee will be responsible for a variety of commercial and analytical issues facing the division. Specifically, this will encompass the evaluation of capital expenditure proposals, the analysis of revenue, cost and margin information for senior management, and extensive business re-engineering. The successful candidate will work closely with management teams in operating countries.

This opportunity will appeal to a self-motivated, high calibre accountant (aged 28-32) with a minimum two years blue chip commercial experience, outside of public practice. Some degree of international exposure, and an ability to speak one or more European languages, is highly desirable. In addition, key requirements are sound commercial judgement, a proactive work style, and an ability to initiate and manage change.

The rewards include an attractive remuneration package together with company car, generous performance related bonus and excellent career prospects in a successful and growing group.

Interested applicants should write in the strictest confidence to Brian Hamill or Robert Walker, forwarding a curriculum vitae to our London office quoting ref: BH1016.

WALKER HAMILL
Executive Selection

29-30 Kingly Street
London W1R 5LB

Tel: 071 287 6285
Fax: 071 287 6270

Financial Planning & Analysis Manager

Specialised Financial Services Group

NW London

c£45,000 + Car + Benefits

Our client is a household name and market leader in providing specialised insurance, together with related products and services, to its customers in key niche markets. The group comprises 5 operating businesses with a combined turnover of around £250 million p.a. and 4,000 staff. The group is successful and innovative with exciting yet realistic plans for expansion both in the UK and Europe.

We seek a Financial Planning and Analysis Manager to join the executive team at corporate H.Q. Managing a department of 4 staff, the job holder's main responsibilities will include monthly management reporting on all aspects of Group and subsidiary performance; financial analysis; leading the strategic planning and annual budgeting process; strategic business reviews; financial control over HQ expenditure; systems development and ad hoc exercises. The position reports to the Finance Director and career prospects are excellent.

Candidates must be graduate, qualified accountants, in their thirties with at least 4/5 years post qualification experience, preferably gained in a substantial multi-site service business. Ideally, they will demonstrate relevant experience gained in both corporate H.Q. and line management positions in the financial services, insurance or related sectors. Computer and P.C. literacy is also important.

The attractive benefits package includes a negotiable salary, fully expensed executive car, non-contributory pension, London weighting allowance and private healthcare.

Please send your career and current salary details, together with a daytime telephone number to Barry Skates, Hoggett Bowers, George V Place, 4 Thames Avenue, Windsor, SL4 1QP, 0753-850851, Fax: 0753-853339, quoting Ref: WBS/4339/FT.

Hoggett Bowers
EXECUTIVE SEARCH AND SELECTION

Financial Controller

Sevenoaks · c£35,000 + benefits

The Defence Research Agency is an Agency of the Ministry of Defence. Our mission is to be the prime provider of technical advice to the MoD. We also provide advanced technical services to other Government departments and to private industry. Under the leadership of a Chief Executive recruited from industry, we are undertaking a dramatic programme of change to become a progressive, professional and efficient commercially-run organisation, whilst preserving our traditional scientific excellence, objectivity and international standing.

In this new climate, high profile roles of strategic importance are being created for exceptional professionals whose technical skills are matched by real vision and an appetite for the challenge of change.

A requirement has arisen within the Operations Group for a business driven, instinctively commercial, qualified accountant of graduate calibre. We are seeking an individual whose experience has been gained within a professional, progressive environment with strong control disciplines and high financial reporting standards who can work effectively with financial and non-financial colleagues.

Reporting directly to the Sector Director, the Financial Controller will be responsible for the timely and accurate presentation of financial information to meet internal reporting requirements as well as providing customers with meaningful explanation of financial performance. The individual will also be part of the Management team and will participate in the development of business opportunities, which will include introducing and monitoring Sector Performance Measures.

Personal qualities will include a practical approach combined with high levels of energy, enthusiasm and commitment.

Remuneration is negotiable and will include a performance related bonus. This position is initially offered on a three year fixed term basis which may be extended to a maximum of five years.

Please forward your current CV, quoting ref CESFT/1, by 30th June 1994, indicating why you wish to apply and what contribution you feel you can make to the work of the DRA to: Mrs Julie Phillips, CES Personnel, Building A3, DRA Fort Halstead, Sevenoaks, Kent TN14 7BP.

Defence Research Agency

WE ARE AN EQUAL OPPORTUNITIES EMPLOYER

Contrôleur de Gestion

Salaire Motivant

Arras (180KM AU NORD DE PARIS)

Filiale du groupe britannique BTR plc. nous fabriquons et distribuons des batteries industrielles et des détecteurs de gaz. Notre chiffre d'affaires annuel est de l'ordre de 700 millions de francs et notre effectif de 1000 personnes. Pour seconder notre Directeur Financier, nous recherchons notre Contrôleur de Gestion. Sa mission comprend le reporting mensuel et annuel, l'établissement des coûts standards, des budgets et des prévisions, l'analyse des écarts, l'assistance décisionnelle aux cadres commerciaux et de production, la gestion financière des stocks ainsi que des missions ponctuelles. Il gère une équipe de quatre personnes.

Le candidat retenu sera un comptable de haut niveau ayant déjà démontré sa compétence professionnelle et relationnelle dans un environnement industriel multi-produits, utilisant, de préférence, les coûts standards. La capacité de gérer simultanément des problèmes complexes, ainsi que la fermeté et la diplomatie sont nécessaires pour réussir dans un rôle qui lie rigueur comptable à flexibilité commerciale. Une parfaite maîtrise de l'anglais et une bonne pratique du français sont requises.

Pour ce poste clef nous offrons un salaire motivant, le remboursement des frais de déménagement raisonnables, un environnement dynamique et changeant et des perspectives de carrière intéressantes. Le poste est basé à Arras. Veuillez adresser CV complet, lettre manuscrite et photo à Mr C Smith, Directeur Financier, Oldham France SA, BP962, 62033 Arras Cedex, France.

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The Top Opportunities Section

Advertise your senior management positions to Europe's business readership. For information please contact:

Philip Wrigley
071 873 3351

Divisional Financial Controller

Career growth with an expanding electro mechanical contractor

Jeddah

c$40,000 + performance bonus (tax free) + benefits

Our client - a subsidiary of a major group - is undoubtedly one of the fastest growing and profitable businesses in Saudi Arabia. Majoring in construction services and healthcare, the company has adopted the highest standards of management, investment in staff and technology, and is committed to a dynamic, non-hierarchical structure.

As a result of its policy of devolving authority from the group head office, the company now seeks a capable and energetic financial professional to join the management team of its key Electro-mechanical Services Division.

Although reporting to the Group Chief Financial Officer, you will work closely with the Divisional General Manager as you will have full responsibility for the financial management, reporting and control of the Division. This will involve leading and developing your own team of high calibre accountants working across a growing range of projects and locations, as well as taking a central role in the introduction and maintenance of effective control systems.

This is a hands-on role which also requires the ability to 'stand back' and take a strategic viewpoint, when necessary. It also calls for a self-assured individual, with developed decision making skills, who is in sympathy with the company's team-based, non-traditional approach.

Probably in your mid-thirties and a university graduate, you will be a qualified accountant with at least seven years' experience covering cash management, contract margin management, control of project manpower costs, purchasing controls, and project forecasting. A background within construction services or a similar project-based environment would be ideal and managerial ability, commercial awareness and IT skills are essential. Previous exposure to the Middle East would be a distinct advantage.

In return, you will enjoy a negotiable tax free salary, together with a first-class range of expatriate benefits and the excitement of a truly dynamic working environment. Please write - in confidence - with full career and salary details to Ghassan Yazigi, Ref.1358/6, MSL International Limited, 32 Aybrook Street, London W1M 3JL.

MSL International
CONSULTANTS IN SEARCH AND SELECTION

ERA TECHNOLOGY

Financial and Commercial Director

Leatherhead, Surrey

c.£50,000 + car + bonus

ERA Technology is a well established, independent company providing leading-edge research, development, design and testing services in electronic, electrical, materials, structural and general engineering. This international company, one of the largest of its kind in Europe, and having offices in the USA and Singapore, has a worldwide reputation for innovation and achievement. It has grown steadily and been profitable for the past 20 years.

The current Director responsible for the financial and commercial aspects of the company is about to retire and an experienced replacement is required.

As a member of the Board, the appointed candidate will work very closely with the Managing Director to ensure that the company performs in line with its commercial and financial objectives. He/she will be responsible for experienced teams in the Finance, Contracts, Personnel and Operations Support Departments and will work closely with other Directors in this forward-looking, strategic role. There is strong commercial emphasis and the successful candidate will play an important part in leading major contract negotiations and reviewing collaborative arrangements and potential acquisitions.

Aged in their late-30s to mid-40s, candidates must be qualified accountants with at least ten years' relevant experience in the manufacturing or engineering sectors, ideally in a hi-tech environment. Previous experience of contracts negotiation is essential, and exposure to international operations highly desirable. Candidates must have the interpersonal skills, authority and self-confidence to earn respect and be credible both internally and externally.

In addition to the remuneration mentioned above, the package will also include a pension scheme, private health care and other executive benefits.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 292J on both letter and envelope, and including details of current remuneration.

GKRS

SEARCH & SELECTION
CLAREBELL HOUSE, 6 CORK STREET, LONDON W1X 1PB. TEL: 071 287 2820
A GKR Group Company

VODAFONE

TREASURY MANAGER

Newbury, Berkshire

Attractive salary & benefits

With a dynamic record of growth, Vodafone Group Plc is a world leader in mobile telecommunications and is one of the top 35 UK companies by stock market capitalisation. With already over one million UK subscribers we are also developing extensive interests in Europe, Australia, the Far East and elsewhere in the world.

At our Head Office based in Newbury, we now have a challenging role for a bright, recently qualified Accountant wishing to develop Treasury expertise. This position offers the successful candidate opportunities to manage the Group's liquidity and expand accounting skills.

The position:

- Reporting to the Group Treasurer with responsibility for treasury activities
- Managing group cash worldwide; acting as principal sterling dealer and providing advice to foreign subsidiaries
- Developing group cash and interest forecasting models
- Improving treasury systems and liaising with treasury accountants
- Responsible for providing accounting assistance in the group finance department
- Involved in ad hoc treasury and accounting projects

The requirements:

- Numerate graduate
- Qualified ACA with experience of financial service companies and a desire to acquire the ACT qualification (assistance will be given)
- Awareness and understanding of financial markets and economics
- Strong systems skills with an ability to construct complex spreadsheets
- Team member with excellent communication and negotiation skills and able to pay close attention to detail

To apply please write enclosing a full CV stating why you feel you are suitable for this position, together with salary expectations, to Jane Boiston, Personnel Department, Vodafone Group Services Limited, The Courtyard, 2-4 London Road, Newbury, Berkshire RG13 1JL.

Please quote Reference No. VGFN018

Closing date for applications 30/6/94.

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VODAFONE GROUP

DIRECTORS SEEKING A NEW ROLE?

Europe's leading outplacement and career management consultancy, InterExec has over 15 years' experience of managing career change for senior executives and many of Britain's largest companies.

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INTEREXEC Call Keith Mitchell in London on 071 930 5041 or Isobel Reddie in Edinburgh on 031 225 8414
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APPOINTMENTS WANTED

FCCA (37)

6 years overseas experience with multinationals. Fluent IT/FR/PT seeks position. Flexible on location.

Tel: 010 39 11 205.0635

London SW1

£70,000 plus bonus, and benefits

This position is new and will be extremely high profile. It will report to the Managing Partner and the board as a key member of the executive. The firm is one of the UK's leading property consultants with around three hundred partners and staff and is now moving slowly but confidently out of the recession. It has an enviable reputation for the quality of its work, and an enthusiastic and flexible approach to business.

Working closely with the Managing Partner and with a staff of over 20 you will have accountability not only for all financial matters, including management information, planning, financial management and control, treasury and IT, but also will direct and manage the personnel and administration functions.

You must be a highly capable individual whose track record reflects exceptional achievements at a senior level. You will probably be aged 35 to 45 and a qualified chartered accountant; more important however is high levels of energy and the ability to deal effectively at all levels within the business. Strategic planning skills will be extremely useful as will some appreciation of the way partnerships work.

If you feel capable of handling this exceptional challenge please send a comprehensive C.V. quoting your current remuneration package and daytime telephone number quoting reference 3398 to Bruce McKay, Touche Ross Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP.

Touche Ross

MANAGEMENT CONSULTANTS

Specialist Publisher

Commercial Director

circa £45,000 plus car and potential for share options London NW

This dynamic, highly profitable, privately owned publishing company operates in an established market within the Energy Industry. It has several overseas offices and is continuing to expand rapidly in both product range (especially electronically) and its customer base. The Commercial Director will manage the finance function and contribute to strategy on a broad range of issues.

THE APPOINTMENT

- Manage an experienced team and take responsibility for all aspects of financial accounting, timely management reporting, company secretarial duties and dealings with professional advisers.
- Ensure improved efficiencies through the implementation of additional software applications and cost control
- Provide significant input to major contract negotiations and acquisition appraisals.

Please apply in writing with full CV and salary details quoting reference 90666/A to Geoffrey Mather.

THE REQUIREMENTS

- Graduate, likely to be aged early thirties with a recognised accountancy qualification.
- A good track record of running a hands-on accounting and commercial function at least to Financial Controller level, probably in a smaller company.
- Evident experience of staff motivation and leadership
- Highly computer literate, with drive, initiative and strong negotiating skills.

K/F Associates, 252 Regent Street, London W1R 5DA

K/F ASSOCIATES
Selection & Search

Mutual Funds Accounting Unit Head

CITIBANK

Excellent Remuneration Package Luxembourg

Citibank Luxembourg is engaged in global finance and private banking activities. Its rapidly growing Mutual Funds Department administers both Citibank and third party funds. An experienced and ambitious individual is now sought to head the accounting function for this expanding business.

THE APPOINTMENT

- Manage a substantial team focusing on the accuracy and appropriateness of mutual fund net asset values.
- Play a key role in the development, implementation and valuation of new funds and of new instruments introduced into existing funds.
- Ensure correct accounting policies and procedures are adopted for new funds and investment instruments
- Participate in client reviews and the annual budget; manage the auditing process.

Please apply in writing with a full CV and salary details, quoting reference 6440G, to Susannah Truswell.

THE REQUIREMENTS

- Graduate, with strong intellectual skills, probably aged 30-40, with a recognised accountancy qualification.
- Currently working with an audit firm focusing on mutual funds or unit trusts, or alternatively based within a fund management house.
- Fluent French and English a prerequisite.
- Mature and dynamic with strong management, interpersonal and communication skills.

K/F Associates, Regent Arcade House, 252 Regent Street, London W1R 5DA.

K/F ASSOCIATES
Selection & Search

UNDERGROUND

Corporate Finance Systems Manager

c£35,000 + car

London Underground is committed to improving the efficiency, cost-effectiveness and quality of its service. In the last few years, we've introduced major improvements to our finance systems, and this is set to continue as quality financial and management information enables us to make the best use of scarce resources and exploit business opportunities to the full.

Your role will be to develop and manage the corporate finance systems department responsible for improving our financial and management accounting, asset management, revenue collection and cash management systems, so that departments can focus on their business purpose and measure the impact of business decisions. This will encompass the provision of training and quality assurance programmes.

As the company's expert on computerised corporate finance systems, you must have a high level of accounting expertise coupled with an up-to-date knowledge of mainframe, mini and micro computers, operating systems and technical standards. You will also need excellent organisational, communication and negotiation skills, if you're to successfully identify, evaluate and meet the requirements of your different customer groups.

The salary offered is backed by a generous range of benefits. This appointment is made initially on a two year contract basis with every possibility of renewal.

For an application information pack please contact Tracey Gabriel, Personnel Services, London Underground Limited, quoting reference UOV/108X on 071-918 1118 during normal office hours.

Closing date for completed applications: 8th July 1994

Working Towards Equality.

Applications from women and ethnic minorities are particularly welcome.

APPOINTMENTS ADVERTISING

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For further information please call:

Gareth Jones on 071 873 3779

Andrew Skarzynski on 071 873 4054

Philip Wrigley on 071 873 3351

FINANCE DIRECTOR

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EXPANDING FRESH FRUIT IMPORTERS, PACKAGING AND TRANSPORTATION GROUP SUPPLIERS TO LEADING RETAIL CHAINS T/O IN EXCESS £40M

Due to continued European expansion, A G Thames requires applications from qualified accountants, preferably ACA's, aged 20's to early 40's. Candidates should ideally speak Spanish and have a minimum of four years sound financial accounting experience in fast moving manufacturing or distribution environment.

The successful candidate will have experience in installing financial control and reporting systems. Experience of having worked in Europe is important. The selected candidate will report to and work closely with the Group Managing Director and will play a key role in formulating and achieving Group objectives. Frequent visits to the Group's Spanish operations will be required and will include implementing effective reporting systems and assisting local management with budgeting, control systems and general financial management.

The successful applicant will work with the Managing Director as member of an entrepreneurial team and will be responsible for the preparation of consolidated Group management accounts, as well as dealing with budgets, forecasts and capital expenditure projects. A strong and assertive personality is essential. Applications should write in strict confidence to the Managing Director, Thames House, Warspite Road, Woolwich, London SE18 5NU.

A G THAMES HOLDINGS LTD

CFO POLAND

FOR A FAST GROWING POLISH-WESTERN JOINT VENTURE BASED IN WARSAW (TURNOVER OVER 50 M$).

The appointed candidate will be responsible for finance, accounting, budget control and MIS. Candidates should be graduate qualified accountant, probably ACA. Leadership and managerial skills are mandatory.

Fluency in Polish and English is required for this position.

Reply in confidence within 10 days to:

Box A2070, Financial Times,
One Southwark Bridge, London SE1 9HL

FINANCIAL DIRECTOR DESIGNATE

9 months Contract **Guildford**
£37,500 **Surrey**

Business Plan Preparation
New Venture in Financial Services Industry

An experienced Finance Director is required to join the technical innovator and a small team to produce a Business Plan for a new company in the Financial Services Industry.

The product is a service that is made necessary due to legislation being enacted rapidly throughout the world.

Initially a fixed 9 months contract will be offered with a view to transferring to the permanent appointment of Finance Director.

We require a qualified accountant with highly developed business acumen aged between 35 and 45 years. It is essential that you have a minimum of five years experience operating at a senior level within a commercial organisation, preferably in the finance services industry and have a good knowledge of large computer systems. You will have a high level of skill in the use of PCs and have good experience in the preparation and presentation of business plans and budgets.

Considerable energy, initiative and enthusiasm will be required allied to a shirt-sleeve approach.

You will need excellent interpersonal and communication skills with a strong personality and good presence.

As the company will be operating on an international basis, knowledge of major European languages will be an advantage.

To apply please send your full CV, including present salary, to:

Box A2079, Financial Times,
One Southwark Bridge, London SE1 9HL

Director of Finance

c.£38,000

South Thames Training & Enterprise Council is dedicated to maximising the potential of individuals and businesses. By strengthening local enterprise to compete more effectively, we aim to stimulate economic growth throughout the South Thames area.

South Thames TEC, like the businesses it serves, must operate effectively. As Director of Finance, you will ensure that it does.

Reporting directly to the Chief Executive, the Director of Finance is responsible for all matters relating to the finance and accounting systems of South Thames TEC. As well as overseeing day-to-day procedures, you will advise on financial policies and strategy, propose courses of action and implement agreed plans on finance-related topics, including staff training and IT systems.

Applicants will be mature and experienced individuals with a successful record of financial strategic management, and be ICAEW, CIPFA or ICMA qualified. Good communication and management skills are required as is a 'hands-on' approach to practical accounting tasks.

This is a challenging position in an organisation which has to fulfil its own objectives by ensuring others achieve theirs. Commercial acumen is essential, with public sector experience particularly advantageous.

For an informal discussion telephone our Chief Executive, Mike Hanson on 071 403 1990 or send a comprehensive C.V. to Jan Hill, Human Resources Manager, South Thames Training and Enterprise Council, 200 Great Dover Street, London SE1 4YB. To arrive no later than 30 June 1994. Please quote reference DC126.

South Thames Training & Enterprise Council is committed to equality of opportunities.

SOUTH THAMES TRAINING & ENTERPRISE COUNCIL

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IN PARTNERSHIP FOR GROWTH

AMBASSADOR AIRWAYS LIMITED

FINANCE DIRECTOR

GATWICK

We are the UK's fastest growing charter airline, and a subsidiary of a large private international group of companies.

Following relocation we have an opening for a financial director who will have overall responsibility for all of the financial requirements of the company. Although you will be reporting functionally to the overseas based group finance director, you will have a significant degree of autonomy and will be expected to bring considerable commercial expertise to this position.

This is a senior role having considerable impact on group finance matters and requires high level liaison throughout the group's operations and with major external agencies. Applicants should be graduates, ACA qualified, conversant with computers and information technology and possess the highest degree of drive, ambition, resilience and energy.

Interested applicants should apply in writing through our accountants:

Soteriou Banerji
Chartered Accountants
253 Gray's Inn Road, London WC1X 8QT
Contact: *Judi Harris*

New Islington & Hackney Housing Association

New Islington is a leading Housing Association which manages over 5,000 homes primarily in North East London.

TREASURY MANAGER

c. £25,000

We are now looking to recruit a Treasury Manager to manage our loan portfolio, liquidity requirement and assist the Finance Director in developing financial strategies to support current and future commitments.

Applicants must demonstrate the following:

- A relevant qualification (eg ACA, CICS, ACCA, IOB)
- Two years post qualified relevant experience
- Excellent negotiating and influencing skills

An understanding of the current financial pressures on Social Housing is highly desirable.

Closing date: 10am 23rd June 1994.
Interview date: 1st July 1994.

An application form and further information can be obtained from:

New Islington & Hackney Housing Association,
Globe House, 8 Curtain Road,
London EC2A 3NX
Telephone 071 417 0463
Working Towards Equal Opportunities

NI

FINANCE DIRECTOR

Humberside **Shipping Services**

We are a division of a UK Plc engaged in stevedoring, warehousing and distribution.

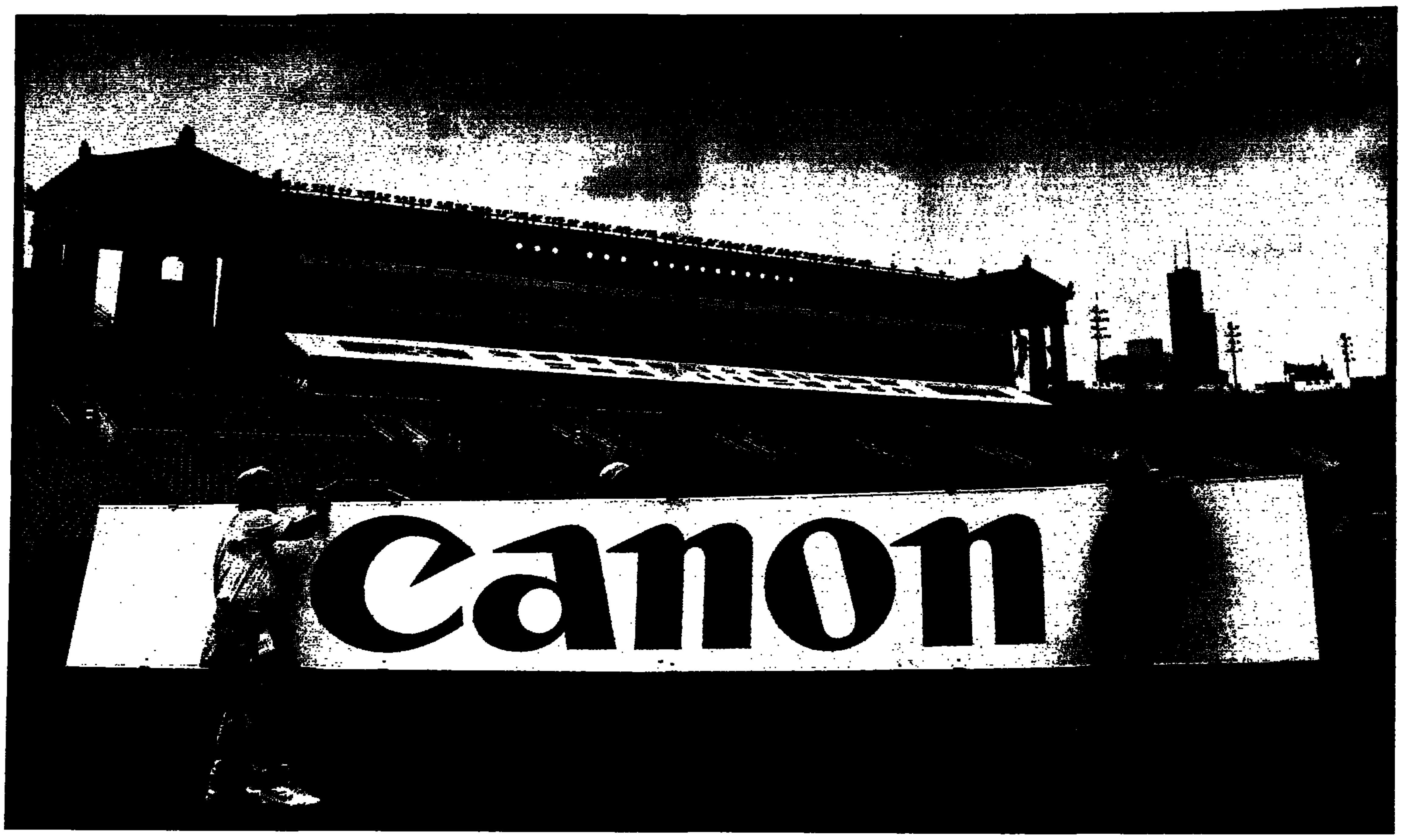
Reporting to the Divisional Chief Executive you will be an important member of the management team. Your responsibilities will cover all aspects of financial management but with particular emphasis on strategic planning, the development of computerised information systems and the maintenance of strict financial disciplines and controls.

Candidates should be qualified accountants aged 30-40 with strong commercial and interpersonal skills and experience in freight forwarding/distribution.

We offer a competitive salary, car and other normal company benefits.

Interested candidates should forward a full CV to:

Mr Colin Copland, Financial Director,
The Global Group Plc, Cranbrook House, Redlands, Couldon, Surrey CR55 2HY



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